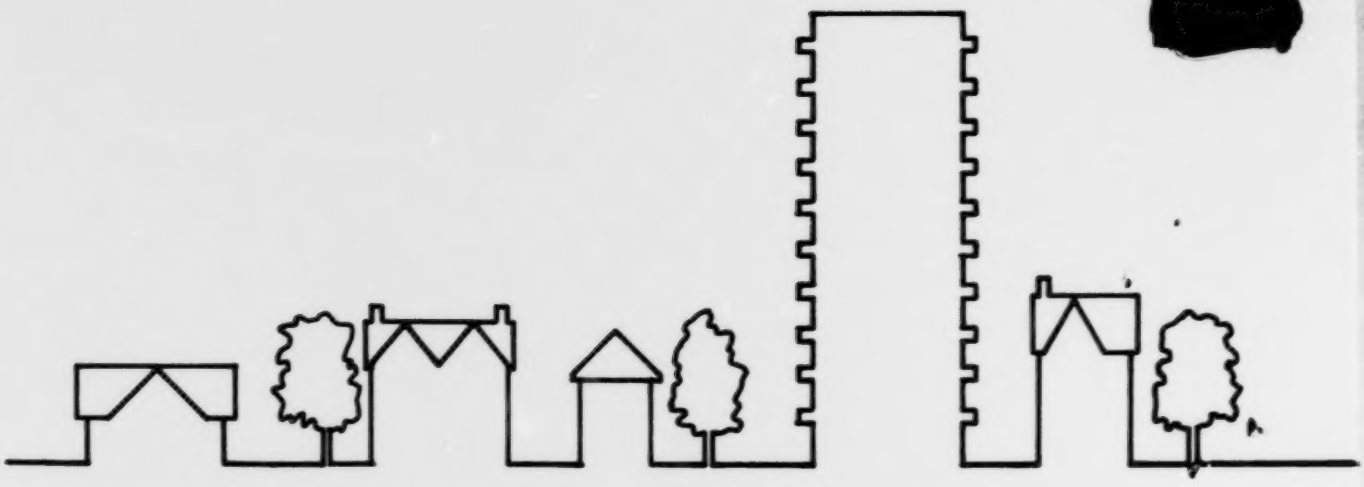

STUDY OF RESIDENTIAL INTENSIFICATION AND RENTAL HOUSING CONSERVATION

PART 1 : DETAILED SUMMARY OF FINDINGS AND RECOMMENDATIONS

PREPARED FOR
THE ONTARIO MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING
AND THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO

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NOTE:

This is a consultants' report. Any statements or opinions expressed herein are those of the writers or of persons quoted and, unless otherwise noted, are not necessarily endorsed by the Ministry of Municipal Affairs & Housing, Government of Ontario, or the Association of Municipalities of Ontario.

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- **What were the objectives of this study?**
  - The study was commissioned with two prime objectives in mind:

    Objective 1: To examine the opportunities and constraints that exist for meeting some of the future additional housing needs in Ontario during the 80's and 90's through the intensification of existing residential neighbourhoods.

    Objective 2: To examine some of the major forces at work that have and could threaten the conservation of the existing stock of rental housing and the tenants that occupy this stock.

  - In both cases the investigators were to make recommendations as to what government and others could and should do to realize intensification opportunities and to ensure the conservation of the existing rental stock.

- **Why was this study commissioned with these objectives?**
  - Some of the major issues and concerns that lead to the commissioning of a study with these objectives are as follows:
    - Ontario will need more rental and ownership housing units over the next 10-20 years.
    - The average size of Ontario households has been decreasing and will likely continue to do so over the next 10-20 years.
    - Affordability could be a major problem during this period with regard to the new housing that will be needed.
    - Given the capital investment that we have now in the existing housing stock and its relative affordability, it is important that this stock be conserved and used as efficiently as possible.
    - The 80's and quite possibly the 90's are likely to be periods of economic restraint in terms of public expenditures related to facilities and services and therefore ways will have to be found to make better and more efficient use of what we have, particularly those facilities and services which form the infrastructure of our existing residential neighbourhoods.
    - The provision of new housing by way of large scale redevelopment and/or a further expansion outwards of Ontario's urban fabric are becoming increasingly more difficult for a variety of political, social, economic and physical reasons.

- **How was it done?**

  - The investigations, particularly those relating to Objective #1 were carried out on a case study area basis in the municipalities of Toronto, North York, Hamilton, Kingston, Woodstock and Ottawa with special input from municipal officials in Thunder Bay. These municipalities were selected to reflect the fact that many of the issues under investigation were more associated with larger urban areas as well as to provide at the same time, a range of sizes of municipalities for comparative purposes.

  - The investigations were carried out by a series of five individual consultants working under the direction of a sixth consultant retained to co-ordinate and direct the study investigations. The work of each consultant was monitored and reviewed by a core study group made up of the five consultants, the study director and representatives of MOMAH and AMO.

    Core Study Group

    Study Director: Peter McInnis
    Klein & Sears Research and Planning Limited

    Consultants: Michael Adams
    Environics Research Group

    Jack Klein
    Klein & Sears, Architects

    Greg Lampert
    Clayton Research Associates

    Frank Lewinberg
    Lewinberg Consultants

    Peter Milligan
    Walker, Poole, Milligan

    MOMAH
    Representatives: Sue Corke
    Gary McAllister
    George Przybylowski

    AMO
    Representatives: Mayor W. McLean
    Town of Ajax

    Gwyn Simmons
    City of Ottawa Non-Profit Housing Corporation

    Special Asssistant
    To Core Group: Betty Kaser

- While the consultants' work on this study began formally at the beginning of July, 1982, some considerable effort was spent in advance of this start-up by the Study Director working closely with MOMAH and AMO representatives in developing terms of reference and a work plan that reflected the findings of an extensive and detailed review of the literature pertaining to the issues in question. This literature review was carried out by the Ministry during April and May of 1982 and has been published under separate cover. The prime purpose of this review was to identify the extent to which the issues in question had already been considered and the findings and conclusions that had been reached in order that the consultants' work could be focussed on those issues about which there is limited knowledge or understanding. Also, this review provided a valuable basis for establishing certain propositions to be tested in the study.

- The study was funded by the Ontario Ministry of Municipal Affairs and Housing through the Housing Renovation and Energy Conservation Unit of the Community Development Wing. The Ministry's chief representative on the study was Mr. George Przybylowski of the Housing Renovation and Energy Conservation Unit.

- This first volume of the report was prepared by the Study Director, Peter McInnis of Klein & Sears with the assistance of Betty Kaser. It provides a detailed summary of the major findings and conclusions of the investigations that were undertaken as part of a study of neighbourhood intensification and housing conservation issues sponsored by the Ministry of Municipal Affairs and Housing and the Association of Municipalities of Ontario. Also, it provides a set of recommended actions pertaining to our findings for consideration by the Government of Ontario and the Association of Municipalities of Ontario.

  This summary constitutes Part 1, Volume 1 of the overall study report and is organized in accordance with the organization of the other parts and volumes that make up the overall study report. As such, this volume summarizes the findings and recommendations related to Parts 2-4 (or Volumes 2-10) of the study. The findings and conclusions from each of these four parts of the study are presented as answers to a series of specific questions related to each topic that was examined.

Other volumes of the report include:

PART #	TITLE (Prime Consultants)	VOLUME #
1	Summary of Findings And Recommendations (Klein & Sears)	1
2	Economic And Demographic Trends for the 80's and 90's (Clayton Research Associates)	2
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PART 2: ECONOMIC AND DEMOGRAPHIC TRENDS FOR THE 80's & 90's

- **How has Ontario's housing stock and population changed since 1961.**

Population Changes

- The number of households in Ontario increased by 80% in the 1961-1981 period to a total of just under 3 million, while the overall total population increased by only 38%. The number of non-family households (mostly single people) increased by over 300% between 1961 and 1981, compared with an increase of 57% in the number of family households.

- Average household size dropped to 2.9 persons in 1981 from 3.8 persons in 1961.

- Average real family incomes rose significantly (by over 75%) from 1961 to 1981.

- The tendency of people to share accommodation dropped dramatically over the period; the number of families not maintaining their own household dropped from over 106,000 in 1961 (7% of all families) to less than 35,000 in 1981 (1.5% of all families). At the same time, the number of boarders and lodgers declined from over 205,000 in 1961 to only 122,000 in 1976.

- The number of elderly (people aged 65 or more years) increased by over 70% and accounted for 10% of the total population in 1981 compared to 8% in 1961. The 15-34 age group, the prime household formation age group and a group which has a higher than average propensity to rent rather than own, increased by almost 80% during the period and accounted for 35.4% of the total population in 1981 compared to 27.4% in 1961. The number of people aged less than 15, tomorrow's prime household formation age group, dropped by 6% over the period.

Housing Stock Changes

- There was a significant increase in the proportion of Ontario's housing stock which was rented rather than owned; in 1961, less than 30% of the stock was rental, while by 1981, rental units comprised almost 37% of the stock.

- The vast majority of the additions to the rental stock were high-rise apartments. Less than 20% of the pre-1961 stock of rental apartments was located in buildings of 5 or more stories, while in 1981 40% of Ontario's rental housing stock was comprised of units in buildings of 5 or more stories.

- From a macro point of view changes were less evident on the ownership side of the market. The single-detached dwelling, which comprised 86% of the total ownership stock in 1961, comprised a slightly lower, but still dominant, 81% in 1981. Despite this apparently slight change on the ownership side as a whole, the character and location of the dwellings added in the 1960's and 1970's were different from previous years. There was substantial growth in average dwelling size and a dramatic expansion of suburban communities compared with central areas. This trend has slowed in recent years due to energy and affordability considerations.

- These housing stock changes did not impact all parts of Ontario equally. The trends and the current housing stock in large rapidly growing areas such as the Toronto and Ottawa metropolitan areas (especially the central municipalities in these areas) are different from those in smaller centres.

- The period since mid-1979 has seen a fundamental change in the housing market across Canada. The high and volatile interest rates which have characterized this period combined with the current serious economic recession have created a dramatically new environment for housing. Affordability for ownership housing, which had been improving throughout the 1960's and 1970's took a dramatic turn for the worse from mid-1979. Homebuyers and mortgage renewers faced a substantial increase in both real and nominal mortgage interest rates (and payments) during this period. Many potential homebuyers, who in the past might reasonably have expected to be in a position to buy a home, have found that they were simply unable to afford to purchase a home. Many others, though able to afford to purchase a modest dwelling, have had to lower their expectations considerably.

- Rental markets across Ontario are in disarray as a result of market rents being way below what it costs to build new rental housing. This has resulted from:

  - the imposition of rent review in 1976;
  - the escalation of mortgage interest rates since 1979; and
  - the fact that the substantial ARP, MURB and ORCL subsidy arrangements for investors in rental housing were cancelled.

  Because of this, there is a severe shortage of affordable rental accommodation in most centres in Ontario and there is little real prospect that the situation will improve in the near future.

- A final trend which has perhaps been evident for longer than 2-3 years but which has certainly strengthened during this period has been the movement towards living closer to the central parts of larger urban areas because of a variety of reasons - chiefly related to lifestyle and convenience considerations as well as the increased costs of energy

and hence commuting. Because of this movement, a premium has been placed upon the centrally-located housing stock relative to suburban housing.

- **How are Ontario's housing stock and population likely to change in the 80's & 90's, and how much and what types of housing will be required to accommodate the future population?**

  - Many of the trends evident from the 1960's and 1970's will continue in the next two decades. However, the factors (primarily economic) which have struck heavily in the past 2-3 years, combined with changing demographics, point to some changes in housing demand patterns in the 1980's and 1990's.

  - As noted, the homeownership market has been profoundly affected by the events of the past 2-3 years and while affordability has improved over the past few months and can be expected to continue to improve as interest rates decline and the economy recovers, both first-time and move-up buyers will be much more cautious and conservative about overextending themselves in the future. Because of this, there will likely be a higher demand for more modest types of ownership housing in the 1980's than would have been anticipated from an examination of the underlying demographics alone. Affordability itself is unlikely to reduce significantly the overall demand for ownership housing in the 1980's and 1990's.

  - The shortages in the rental market seem unlikely to abate until either a widespread subsidy program for private landlords is put in place or rents are allowed to rise significantly. In either case, affordability for some renters will continue to be a problem until governments institute a viable assistance program targetted at needy tenants.

  - Average annual population growth in Ontario is projected to decline from 92,200 persons between 1971 and 1981 to just over 60,000 people between 1981-1991 and to just over 30,000 in 1991-2001.

  - Average annual household growth in Ontario is projected to decline less dramatically from 74,200 between 1971-1981 to an average of about 55,000 households annually between 1981-1991. Between 1991-2001, average household growth is projected to drop to an average of less than 35,000 annually.

  - The post-depression baby boom population will have aged into the 35-54 age group by the year 2001, thus swelling the ranks of those households that predominantly tend to own their dwellings.

  - The elderly (people aged 65 year or more) are projected to increase by more than 50% to a total of 1.3 million by 2001. This is 14% of Ontario's projected 2001 population compared to 10% in 1981.

- A progressive decline is projected in the number of people in the 15-34 age groups throughout the next 20 years from over 3 million in 1981 (35% of the population) to only 2.5 million in 2001 (26% of the population). These are the main household formation age groups and their decline is closely related to the declining overall rate of household growth in Ontario.

- Non-family households will continue to account for a significant proportion of overall household growth. However, primarily because of the declining number of people in the 15-34 age groups, they will not be as important a component as they were in the 1970's when they averaged growth of almost 33,000 households annually. In the 1980's, non-family household growth is projected to be less than 17,000 annually, while in the 1990's it is projected to decline to about 9,000 households annually.

- Family households, on the other hand, are projected to grow at similar rates in the 1980's (about 39,000 annually) to what occurred in the 1970's (41,500 households annually). Family household growth in the 1990's is projected to decline to an average of about 25,000 households annually.

- Average household size is projected to continue to decline over the next twenty years, though at a less dramatic rate than has occurred in the last twenty years. By 2001, average household size in Ontario is projected to be 2.5 persons compared to 2.9 in 1981 and 3.8 in 1961.

- The tenure pattern (if preferences remain as they are today) in Ontario is projected to lean more heavily towards homeownership than in the recent past; 72% of net household growth in the 1981-2001 period is projected to be for ownership housing compared to 64% in 1971-1981. This could result in continued pressure for costly fringe development.

- Rental housing is still projected to account for significant volumes of new housing demand in Ontario, especially in the next ten years. Rental household growth is projected to average 18,500 units annually in 1981-1991, before dropping to 6,400 units annually in 1991-2001. These figures could increase considerably depending on the ability of the homeowner group to get into or stay in the ownership market. Similarily, if rents are permitted to increase more dramatically than in the past few years, demand for rental accommodation may decrease as certain households decide to enter the home ownership market.

- As with the past two decades, these trends will not impact all parts of Ontario equally. The growth will occur mainly in the centres with strong economic growth prospects - in particular the Toronto and Ottawa metropolitan areas. Much of the demand in these centres will, in turn,

be more focussed on the centrally located parts of these urban areas than was the case in the 1960's and in the first half of the 1970's due in part to lifestyle preferences and to higher transportation costs.

- **What role could Ontario's existing housing play in meeting future housing needs?**

  - Additional units of both ownership and rental housing will be required in Ontario throughout the next two decades.

  - Despite the projected growth and the changing characteristics of the occupants of the Province's housing stock over the next twenty years, it is important to bear in mind that the housing stock in place in Ontario in 1981 will still account for approximately three-quarters of the total housing stock in the year 2001. If this stock is used flexibly and efficiently, it can continue to provide cost-effective housing and might help to solve some of the current housing problems faced by renters and homeowners. Certainly, in view of the high costs of replacement housing, conservation of the stock is a definite plus in terms of the continued affordability of both rental and ownership housing.

  - Conversion and certain forms of infill development would appear to be a viable answer to some of the problems facing the housing market today and in the foreseeable future.Affordability for homeowners (and homebuyers) could be enhanced by conversion of their dwelling to add more occupants with the resulting rent revenue making the difference between being able to afford to own and having to rent.

  - Rents on converted units or shared dwellings could be significantly lower than rents for newly-built apartments and could thus solve an affordability problem for many renters.

  - It is clear that conservation of our existing stock is an important issue. The costs of conserving this stock could be substantial, however, compared to the replacement costs they are usually justified. A particular area of concern in this regard is conservation of the large stock of high-rise apartment buildings constructed over the past 25 years. There is relatively little currently known about conservation of these buildings and they now comprise 40 percent of Ontario's rental stock. Significant conservation costs or losses of this stock with replacement by costly new buildings would have a dramatic impact on a large number of renters.

  - In addition to the continued need for affordable housing, there is little doubt that the current financial constraints on governments at all levels will also continue. All public expenditures will need to be reviewed in light of their cost-effectiveness and the strained financial circumstances in which governments find themselves. These

circumstances will affect not only the ability of the senior levels of government to finance costly housing support programs (such as subsidies to rental developers or shelter allowances), but will also affect municipal governments in planning their municipal infrastructure expenditures. Efficiency in the provision and utilization of services will be an important consideration in municipal finance in the 1980's and 1990's.

- Conversion and infill could be of significant financial benefit to society by reducing the requirement for costly new land development schemes and through more effective use of the existing urban infrastructure.

PART 3: RESIDENTIAL INTENSIFICATION AND FUTURE HOUSING NEEDS

INTRODUCTION

- **What is meant by residential intensification?**

  - Residential "Intensification" as used in this study means increasing the number of households accommodated in existing buildings and/or on existing serviced land in already built-up parts of urban areas through conversion of existing structures and through additions to existing structures and the building of new structures on vacant or near vacant land. Intensification as used in this study is achieved with little or no demolition of existing buildings.

- **What are the basic ways of achieving intensification?**

  - This study defined 7 basic forms or models of convertion and infill that meet the above definition of intensification:

    1) changing grade-related type dwellings from single household use to accommodate a number of unrelated households or individuals with no or minor physical alterations (e.g. small group homes for seniors and rooming houses or a roomer in an owner-occupied dwelling)

    2) changing grade-related type dwellings from single household use to self-contained accommodation for more than one household through physical alterations (e.g. duplexes, triplexes, etc.);

    3) building an addition (vertically or horizontally) to a grade-related dwelling to increase the number of dwelling units;

    4) building a second or third separate dwelling on a lot which presently has one dwelling unit in place (e.g. back lot or side lot development);

    5) building several separate dwelling units on a lot which already has a multiple family development in place (e.g. building on landscaped open space around a high-rise building);

    6) converting existing obsolete non-residential space to residential use (e.g. over stores along arterials); and

    7) building new multiple residential units on vacant or near vacant sites in commercial areas (e.g. mixed-use projects in core areas).

- **Why did the study concentrate on the issue of intensification of existing residential neighbourhoods through Models 1-5?**

- While Models #6 and #7 are critical forms of intensification, the opportunities and constraints related to these models are well researched and documented. This study concerned itself solely with investigating conversion and infill potential in existing residential neighbourhoods because of the paucity of good information that exists on the subject.

- Models #2-5 are graphically illustrated in Figures 1-6 on the following pages. These figures provide just a few examples of the multitude of different physical forms the various types of intensification could take.

- **What are the major factors (i.e. opportunities and constraints) that need to be addressed to determine the potential role of intensification in meeting future housing needs?**

  - The study investigations of opportunities and constraints examined six basic areas:

    - physical potential
    - economics
    - the supply process
    - market demand
    - community and neighbourhood impact and resistance
    - government policies and regulations

3.1 PHYSICAL POTENTIAL

- **Are the basic physical land use patterns and grade-related house forms such that excess space can be used effectively to accommodate additional households?**

  - Given that Model #1 involves no physical alterations, house form is not a major consideration.

  - Most single family grade-related house forms in the Province could be physically altered to accommodate more than one household in self-contained quarters (Model #2). Obviously, size is the major variable in determining the number of self-contained units that could be realized from a single dwelling. Some forms would be easier and therefore less costly to convert than others, but generally speaking most house forms lend themselves to conversion of this type.

  - House form, lot size and siting will have a more pronounced limiting effect on Model #3 should a horizontal addition be the objective. Not all houses are sited properly on large enough lots to permit a horizontal addition.

- Lot size, siting and rear access to the lot will determine the potential for Model #4. Side lot infill will require a minimum of 15-20 feet of frontage whereas rear lot infill could be accomplished with far less frontage and depending on the size of the back yard, the availability of rear lot access, intended tenure, etc. probably has more potential than side lot infill.

- Model #5 is perhaps the least constrained of the five models in terms of land use patterns, existing site utilization and building form. Many high rise apartment complexes constructed during the 60's and 70's, particularly those outside the older central parts of urban areas, were built on the "tower in the park" principle with vast amounts of landscaped open space surrounding the complex. A large number of these projects offer considerable opportunity for infilling grade-related or low-rise type residential units on part of this open space.

- All five forms of conversion and infill involve the provision of additional grade-related accommodation which in most cases would be ideally suited to families with children. Providing the dwelling unit being created is of adequate size, intensification could provide a unique opportunity of adding to the stock of rental housing available for families with children. With one particular exception the intensification models we examined are all capable of providing accommodation to meet the liveability criteria associated with most other user groups as well. The exception might be the handicapped and some seniors who may find that such accommodation is somewhat less accessible than a dwelling unit in an apartment building.

- **Is there room in existing residential neighbourhoods to accommodate additional households?**

  - There are over 2 million grade-related dwellings in the Province and 1.4 million of these are in urban areas with a population of 10,000 or more. The vast majority are owner-occupied (about 85%) and 3/4 of them are single detached dwellings.

  - The median gross floor area per person ratio of these owner-occupied grade-related dwellings in most of the case study areas is in the 425-500 square foot range. By most definitions this is a relatively generous utilization figure. In over 40% of the owner-occupied grade-related stock, the ratio is over 500 gross square feet per person and in over 10% of the stock the ratio exceeds 1,000 square feet per person.

  - For purposes of estimating the additional accommodation potential of the existing stock of grade-related owner-occupied units, we arbitrarily assumed a gross floor area ratio per person of 500 square feet as a rough but reasonable minimum base size where one or more individuals could be added to a dwelling (as in Model #1 and #2) without overcrowding.

- Using this minimum, it appears that there are over half a million dwellings in urban Ontario that could conceivably be converted to accommodate at least one additional individual or household as per Model #1 or #2. Many dwellings are large enough to accommodate more than one additional individual or household.

- About 45% of these are owned by empty-nester singles or couples aged 55 years or more; one-quarter are owned by singles and childless couples aged less than 55 years; and just over one-quarter are owned by families with children.

- It is worth noting that if the current housing occupancy patterns continue, the demographic trends projected for the 1980's and 1990's will likely swell the ranks of the number of owner-occupied grade-related dwellings which (under the above type of analysis) are under-utilized.

- Assuming that open space requirements do not present a limiting factor approximately one-third (or 35,000 dwellings) of Toronto's grade-related owner-occupied housing stock has sufficient unused density to permit an addition in excess of 300 square feet, as per Model #3. Over 5,000 of these units could accommodate in excess of 1,500 square feet of addition or enough to add 2-3 additional apartment type units.

- Under existing zoning restrictions regarding open space requirements the physical potential for the construction of additional new units on existing apartment properties (i.e. as per Model #5) in the City of Toronto appears to be relatively limited. Forgetting existing density requirements, two-thirds of apartment properties have insufficient open space to allow even one more square foot of lot area for building; and a further 20 percent have less than 5,000 square feet of lot area available. Nonetheless, a total of 148 apartment properties in the City of Toronto have sufficient open space that more than 5,000 square feet could be used for additional building without violating the minimum open space requirements. If one assumes an average ground floor area of about 400 square feet for these additional units, it would appear that in excess of 5,000 new units could be created on under-utilized apartment sites in the City of Toronto.

3.2 ECONOMIC ISSUES

- **What are the economics of intensification from the standpoint of investors/ developers and individual homeowners and can such activities produce rental housing at competitive rents?**

  - Most economic feasibility analyses of new private sector housing opportunites focus either on what the break-even rents would be and whether these rents (or purchase prices) would be competitive in the

existing market place or they estimate returns on investment assuming competitive market rents/prices. Such an approach is valid insofar as our intensification models are concerned if one were to assume that all such activity were to be undertaken by private real estate developers/ investors. However, the full potential of Models #1-#3 will not be realized without a significant number of homeowners undertaking such activities. The motivations of homeowners to undertake these activities, while basically financial in nature, differ substantially from those of the investor. The homeowner or prospective homeowner would undertake a conversion primarily in order to be able to afford to buy or continue to own their own home. An investor, on the other hand, is concerned with maximizing the return on monies that he or she has to invest and will be comparing intensification opportunities with other investment possibilities. For this reason, the economics of intensification must be examined from two different perspectives.

The Investor

- The economic models we developed with regard to the investor and the five forms of intensification examine the break-even rents that might result under varying assumptions concerning initial acquisition costs and a number of constants including amount of equity (25%) and return on equity (10%), construction costs, interest rates (12%) and operating costs.

- Our analysis re. Model #1 shows the monthly break-even rents per room required to carry an 1,800 square foot, 6 person rooming house at an initial acquisition cost of $50,000., $100,000., $150,000. and $200,000. are $115., $204., $292., and $380., respectively. The $115. rent for a room would seem to be a resonable rent almost anywhere in the Province and perhaps even the $204. amount may be reasonable in the Toronto market given that the average monthly rent for a bachelor apartment in that market is close to $300.

- In the case of Models #2 and #3, our analysis indicates that the break-even rents required to show a 10% return on a 25% equity position (with the balance financed at 12% interest only) would be slightly higher than the average rents for similar size accommodation in conventional multiple unit apartment buildings. For example, the economics of converting an 1,800 square foot house into 2 self-contained, 2 bedroom apartments (e.g. a Model #2 type of conversion) would require monthly rents of $453. to $1,276. to show a break-even position. The economics can change dramatically under different assumptions regarding interest rates and equity. For example, with an 8% return on an equity position of 40% with the balance financed at 10% interest only, the break-even monthly rents would range from $390. to $600. at acquisition costs of $50,000. and $100,000. respectively.

- While there is a logical tendency to want to compare the break-even rents of accommodation created through conversion with the average rent for similar size accommodation in existing conventional multiple unit apartment buildings, such comparisons have some pitfalls. The average rents do not reflect market conditions in terms of what tenants are

able and willing to pay and also the converted accommodation and the conventional apartment unit are quite different in terms of amenities and features as are the life style images they prevoke. Perhaps the most important perspective that can be given to the break-even rents for new accommodation created through conversion is a comparison with break-even rents required to pay for the costs of building and operating a new apartment unit in a multiple unit building. Using the same assumptions regarding interest rates, equity, etc. as noted above, the break-even rent required to pay for the construction and operation of a new private sector, no frills, two bedroom apartment in Ontario would be in the range of $900.-$1,000. per month excluding utilities and parking. When one compares these units with those noted above, the virtue of "conversion" as a means of creating additional rental housing takes on a different perspective.

- Model #5 is particularly interesting given that it is totally different than the other 4 models and is the only one of the 5 models that is only applicable to the investor. In fact, it is specifically applicable to the owners of existing apartment buildings that have a considerable amount of open space around them on which new rental units could physically be built. Assuming no land costs, our analysis indicates that the break-even rent required to carry a new 1,200 square foot townhouse built on this open space (with 25% equity and financing for the balance at 12% interest only) would be in the order of $675. per month excluding heating and other utilities.

The Homeowner

- While it is difficult to generalize about the economics of intensification vis-a-vis the investor, it is even more difficult to generalize about the economics of intensification from the point of view of existing and prospective homeowners. Our analysis in the latter case focused on Models #1-#3 (those activities which homeowners would be most likely to undertake) and dealt with the extent of the financial benefits tht might accrue to a few selected types of households.

- Since the added costs associated with renting out a room in a house (Model #1) are minimal, whatever rental income is received by a homeowner will represent a net gain in income or a reduced housing occupancy cost to that homeowner. Whether or not this income would be sufficient to enable a prospective homeowner to buy an otherwise unaffordable house or permit an existing homeowner to be able to afford to carry and/or operate their existing house which has become unaffordable is questionable. Each homeowner's circumstances are different and judgements in this regard must be individually made.

- With regard to Models #2 and #3, in our view, the added costs of undertaking these types of conversions will be more than covered, in most cases, by the rental income that would be achieved from the new unit(s) being created and would result in a substantial net increase in income and a significant reduction in occupancy cost. Again, the extent of this increase will vary from market to market and whether it

will be enough to allow a household to get into or stay in the homeownership market will depend on other circumstances.

- To specifically illustratate the economics of Model #2 from a homeowner's point of view and the issue of marginal cost differences, consider Couple Y of Ottawa who own their own 1,800 square foot home without any mortgage valued at $150,000. The couple is retired and are living on a fixed income of $1,200. per month before taxes and are paying approximately $250. per month in property taxes, heat water and sewer, insurance and maintenance/upkeep. While they can manage these costs, they do not have much income flexibility to deal with unexpected expenses. They realize they have considerable equity in their home but do not want to sell and move out of their home and neighbourhood in order to realize their equity and have more income. Therefore, they decide to convert part of their home to a self-contained 2 bedroom apartment for rental purposes. The costs of doing the conversion amount to $22,500. which they finance through an interest only mortgage at 12%. These interest charges and increased property taxes add $250. to the $250. they currently pay bringing their total costs to $500. per month. Assuming Couple Y can rent this newly created apartment for $500. per month, they could conceivably live "rent free" and thereby have an extra $250. per month of discretionary income before taxes. The tax implications on Couple Y of undertaking such a conversion would be minimal and could be as low as $900. per year thus reducing the added income benefit to $175.00 per month.

- **Would intensification have a positive or negative financial impact on municipal governments?**

  - There can be little doubt that as a general rule it is more cost effective for municipalites to utlize surplus infrastructure at the suburban fringe. However, this generalized finding will be significantly affected by several factors including:

    - the extent to which there is not excess capacity in the existing community and the extent to which there is surplus capacity in the suburbs; and
    - the extent to which developers/builders and the provincial government pay a share of suburban growth costs.

  - Unfortunately we were not able to develop even any general estimates of what the net costs (capital and operating costs minus tax revenues and not including Provincial grants) might be of adding a significant number of new housing units in existing residential neighbourhoods through our intensification models. Few of the case study municipalities were able to provide any good estimates of the amount of excess capacity that exists in these types of areas with regard to hard services. The exception to this was the local school boards which except for Woodstock, were able to provide us with detailed information on the amount of excess capacity they currently had in their elementary and secondary. For example, in the case of elementary schools, the municipalities reported excess capacities ranging from a low of 800 student places in Kingston to a high of 30,000 in North York.

With regard to operating capacities re. the provision of services at the local level, the situation is even more unclear since municipal officials were unable to provide even good impressions.

- It is not possible to arrive at definite conclusions relating to net costs of existing versus suburban residential development in the case study municipalities. However, it does seem as though the cost savings arguments for encouraging more development in existing areas are less forceful than initial impressions would seem to indicate. This is because: (a) the existing service infrastructure frequently has been designed with the intention to accommodate additional fringe suburban growth (this is especially true for "hard" services); (b) much of the capital infrastructure costs are paid intially by developers/builders and ultimately by homebuyers and (c) a portion of the capital costs of suburban infrastructure is paid by the Province of Ontario (and hence the taxpayers of Ontario).

- The fact that municipalities generally pay only a small portion of the capital cost of new suburban infrastructure acts as a disincentive for municipalities to encourage more housing to be created in older parts of the community through infilling and conversion. Municipalities quite naturally base financial decisions on the net costs to them rather than the gross costs. In the case of fringe suburban infrastructure, a portion of the costs is shifted to homebuyers and Ontario taxpayers in general. If the provincial grant and the developer financing systems were neutral between further suburban and additional residential development in existing areas, then it is likely that more residential development would occur in built-up areas. This would be a more efficient development pattern from the perspective of costs to society as a whole.

3.3 THE SUPPLY PROCESS

3.3.1 Market For Undertaking Intensification

- **Who would and could undertake various types of intensification activities?**

  - Individual homeowners would probably have to be relied on in the vast majority of circumstances to undertake the type of provision activities contemplated in Models #1-#3.

  - While some small scale developers/entrepreneurs might undertake a certain amount of conversion activity in some centers depending upon the economic climate, society will have to look to individual homeowners if the underutilized stock of dwellings is to be used more intensively to accommodate additional households.

  - On the other hand, the infill activities specified in Models #4 and #5 remain within the realm of land development activity normally undertaken by small scale real estate developers and entrepreneurs.

3.3.2 The Attitudes and Willingness of Homeowners to Undertake Conversions

- **How many and what types of households would undertake what types of intensification activities and why?**

  - Of those homeowners surveyed in Toronto, North York and Kingston, approximately 12% would consider renting out a room in their houses or converting part of their houses into apartments.

  - The proportion of homeowners amenable to renting out space did not vary significantly amongst the municipalities studied. However, differences in household characteristics and reasons for considering renting out did vary. In Toronto and North York, the potential landlord group is made up, for the most part, of recent buyers or empty nester households. The major motivation for considering renting out is financial need. Recent homebuyers in this category are probably finding their budgets stretched too far with the high cost of financing their home purchase, whereas empty nester households who would consider renting out are likely facing declining incomes with retirement approaching. In both cases, renting out part of their homes would represent a needed source of additional income.

    In Kingston, homeowners who would consider renting out are most likely to be recent buyers or mature family households. Some empty nester households would also consider renting out, but a smaller proportion than in Toronto or North York. Financial considerations, although frequently mentioned, tend to play less of a role in whether or not a household would consider renting out than whether or not extra space is available in the house. Few homeowners interviewed in Kingston appear to be having difficulty in making their monthly mortgage payments.

  - The major reasons given by those homeowners who would not consider renting out space are an unwillingness to give up one's privacy and a lack of rentable space in the house.

  - Only about half as many homeowners would consider converting space in their houses into self-contained apartments as would consider renting out a room. The major obstacle to converting is cost and not knowing who one would get as a tenant in Toronto and North York. Kingston homeowners are worried about cost and zoning restrictions.

- **What types of tenants are preferred?**

  - Considerable similarity existed amongst municipalities in terms of who potential landlords would consider renting to. The most important tenant traits mentioned by homeowners were good character, trustworthiness, and compatibility with the host household. Younger tenants were generally preferred to elderly tenants. Whether tenants were male or female did not make a substantial difference.

- **How would homeowners finance and carry out conversions?**

  - While financing of conversion costs would, for most homeowners, come from either savings or a loan, the cost of conversion is viewed as a constraint by many homeowners who would consider converting, even though the actual costs are probably underestimated by these potential landlords.

  - In Toronto and North York, homeowners were more likely to consider having a contractor do the work than in Kingston, where about 1/2 the homeowners would likely do the work themselves.

- **What overall impact would homeowner attitudes have on the realization of the conversion potential in the Province?**

  - In summary, the potential supply of additional rental accommodation that could be supplied through conversion and renting of rooms is quite substantial. If homeowners get the type of tenants they prefer, the rental supply for single persons and couples would be considerably increased. The type of accommodation that could be provided would, in most cases, be at lower rents than other forms of rental housing, but most of the potential apartments that would be created through conversion would likely be basement suites. Whether or not other amenities of living in a house, or lower rental costs can overcome the generally perceived disadvantages of basement suites should be very much a concern in promoting this type of rental accomodation.

  - The potential impact on the supply of new rental accommodation by homeowners renting out rooms or basement units can be quite significant in a housing market. Even if only half the homeowners who would consider renting out could be encouraged to actually rent out space, this source of supply would in most cases, exceed the annual production of new rental units in a market.

  - Any government role in encouraging homeowners to bring rental accommodations onto the market must recognize the differences involved in providing just a room as opposed to a self-contained apartment and the different motivations of homeowners who represent the potential source of supply. The difficulties involved in renting out a room in one's house are obviously much less than those involved in converting space into an apartment. The potential benefits in terms of new supply of rental accommodation are, however, also less. For one thing, only singles would be served by this type of accommodation. For another, the "life-span" of a room for rent is likely to be much less than an apartment.

3.3.3 The Construction Industry

- **Is the construction industry able to adjust to and meet future intensification requirements?**

  - In examining the ability of the construction industry to adjust to and meet future conversion demands, it must be borne in mind that all of the potential conversion activity suggested above would not be done by contractors. The survey noted above indicated that half the owners in Kingston who would consider creating an apartment in their home would do all the work themselves and a further 13% would hire someone to help them; only 38% would hire someone to do all the work. In Toronto and North York, the figures were somewhat different; half the owners would hire a contractor to do all the work and a further 17% would hire someone to help them. It would appear that, overall, somewhere between 40% and 60% of the actual conversion work would be done by contractors. Also, of course, these conversions would not all occur within a span of one or two years but would probably extend over several years.

  - It is evident that conversions are a different type of activity from new construction, but entrepreneurs and building tradesmen are flexible enough to meet the demands for additional conversion activity should they emerge.

  - Clearly, there are many small residential building contracting firms in existence. These are firms which, while they may not specialize in conversion or renovation types of work would, in most cases, be prepared to undertake such work if it were considered to be profitable. There may be an initial need for information among these firms so they can become equipped with the special types of skills and procedures necessary to undertake conversion/renovation work. Especially important in this regard would be instructions on the types of procedures required in gaining approval for the work from the municipality. Similarly, many homeowners would require information on the important things to consider when (a) deciding to convert and (b) choosing a contractor would probably be of assistance.

  - Materials and labour do not appear to be a problem at present. Construction materials are available in a sufficiently wide range that almost any building can be added onto if not using the identical material then using something similar. Labour is always available in a time of a slump in the industry, in boom times the opposite occurs. This is not a problem of conversion/renovation, it is a problem for the construction industry as a whole. Certain trades are likely to be in short supply when an upturn in construction occurs and this is likely to hurt the one-dwelling conversion job harder than the new builder with a large number of dwellings in one place. This is more a matter of the scheduling problem of small jobs than of the difficult nature of

conversion work but it will present problems for conversion work in times of high activity in the construction industry as a whole.

- **What are the attitudes of the conventional lending institutions regarding assisting individual homeowners and small private entrepreneurs with intensification activities?**

  - Conventional lenders are apprehensive about renovations (as per our Models #1-#3). Speculation situations, where an investor pruchases a house with the intention of major renovation and re-sale, although now virtually non-existent in the present economic market, represent the greatest set of fears from lenders. However, renovations undertaken by homeowners are also perceived as somewhat risky. The major concerns of lenders are:

    - any loans in non-urban areas since they consider these weak markets with higher servicing costs per loan;
    - lack of faith in the skills of most renovators to carry out the work within the initially stated cost estimates;
    - in circumstances where the property is gutted and its value therefore drops prior to completion, all lenders are reluctant to provide any form of interim financing and will consider loans on a completion basis only;
    - uncertainty about the skills of municipal inspectors to deal with renovation circumstances to ensure adequate workmanship;

    Consequently, private financing for renovation is often at higher rates than more conventional mortgages.

3.4 TENANT DEMAND FOR RENTAL ACCOMMODATION IN CONVERTED DWELLINGS

- **How many and what types of tenant households would want to live in various forms of converted dwelling accommodation and why?**

  - In all three municipalities surveyed (Toronto, North York and Kingston), potential demand for rental accommodation in a house is quite high. Approximately 25% of renters, excluding those already renting in a house, would prefer to rent in a house as opposed to an apartment building.

  - Most of the demand comes from renters who have some intention to buy their own home in the near future. Renters who are not interested in renting in a house tend to prefer renting instead of owning. This difference is somewhat more pronounced in Kingston than in Toronto and North York.

  - Households in the potential demand group in Toronto tend to be either singles sharing an apartment or childless, married couples. Average age is around 36 years and household income is somewhat above the

average for renters at $29,000. In Kingston, renters in the demand group tend to be similar in household composition, but somewhat younger (an average age of 32) and with lower incomes ($15,000).

- Potential demand groups are generally satisfied with their present apartments but not with renting. Preferences for renting in a house are, therefore, not so much associated with "push factors" from their present home, as with the "pull" of the perceived advantages of renting in a house.

- **What types of converted accommodation are preferred?**

  - Although substantial demand exists for renting in a house, few renters in any of the municipalities surveyed would consider renting just a room or sharing the rent for an entire house with friends. The preferred choice for most of the demand groups is renting a self-contained apartment in a totally converted house (i.e. no landlord in residence). Only 22% of the potential demand group in Toronto and North York and 16% in Kingston would prefer to rent in an owner-occupied house.

  - Relatively few renters would choose a basement suite in a house over other alternatives. Most renters prefer to rent on the upper floors even to the extent that they would give up such important features as a private, separate entry, a lower rent, parking, or access to a backyard. Only 33% of the renters in the potential demand group, that is 8% of all renters, would be willing to compromise and accept a basement apartment for other features. About half of these renters were single renters who would trade-off an upper floor for a lower rent and access to a yard. The other renters in this group were primarily married couples, most with children, who would trade-off an upper floor for a larger unit and lower rent.

  - Despite this obvious mismatch between what the majority of owners would want to provide (i.e. basement apartments) and what the majority of tenants would want to rent (i.e. an apartment on an upper floor), there still appears to be sufficient demand for basement apartments to ensure the take-up of all the units that homeowners might provide.

- **Would tenants who intend to purchase a house in the next few years, consider becoming landlords by renting out a room or converting part of their house to a self-contained rental apartment?**

  - Those tenants who would rent accommodation in a house also constitute a potential source of supply of such units when they become homeowners. Purchase intentions were relatively high amongst this demand group; 51% in Toronto and North York and 69% in Kingston intended to buy within the next 3 years.

- Attitudes toward supplying rental accommodation when they become owners were generally quite positive amongst the demand groups. In Toronto and North York, 30% of the potential demand group would consider renting out a room if they were to buy a house; 50% would consider converting space into an apartment. In Kingston, 34% would consider renting a room, and 40% would consider converting if they were to buy. Consideration of such options generally increased if financial resources were a constraint on purchase intentions.

- Renters in Toronto and North York were also more likely to consider buying a larger, more expensive house if it had an apartment which could be rented out, than were the Kingston group (27% vs. 17%), respectively. Considerations aside, however, only one group of Toronto and North York renters placed a strong importance on buying a house with an apartment in it. This group (21%) consisted primarily of unmarried persons currently sharing an apartment. Home ownership sentiments were quite strong in this group of renters.

- If a third to a half of first-time buyers could be encouraged to provide rental accommodation in the houses they buy, the potential impact on the supply of rental accommodation could be quite significant. In a given housing market, this could match the annual supply of new rental units produced.

3.5 NEIGHBOURHOOD IMPACT AND RESISTANCE

3.5.1 Neighbourhood Impact

- **Would intensification have a positive or negative socio-economic impact on neigbourhoods?**

  - The process of infill and conversion is generally a positive form of neighbourhood change in response to the changing needs of an urban area as it matures and responds to new forces and demands. However, the physical aspects of conversion and infill are open to abuse. Therefore, while it is appropriate to encourage this type of change in all neighbourhoods, it is also essential to ensure that the most critical physical aspects of change will be adequately controlled.

  - Working class inner-city neighbourhoods which experience rehabilitation and gentrification, will also experience a certain degree of infill but limited conversion. Infill and conversion in this context, however, is usually a complement to the general process of gentrification which leads to a displacement of working class families, a decrease in population and an increase in property values.

  - The major changes which have taken place in such neighbourhoods, and which are just beginning in others, are able to occur without any alteration of local land use legislation. Infill development has

usually proceeded through the existing planning process on a site-by-site approval basis thereby restricting it to the most ideal sites, the most profitable sites or sites intended by government for socially assisted housing. Conversion, where it has occurred has similarly been limited by existing municipal planning laws.

The socio-economic impact of changing land use regulations to permit more infill and conversion of existing houses to occur in such inner city neighbourhoods would in our view be negligible. Infill will continue to serve the income group which is entering the neighbourhood as will most conversions. Both types of development will also have the effect of countering the process of deconversion by adding back some of the housing units being lost by that process. Infill development will be limited by the lack of physical opportunity in such inner-city neighbourhoods where lots are frequently small. Conversion will be limited as the major trend in such neighbourhoods will remain for deconversion.

The process of conversion will continue illegally in stable working class neighbourhoods irrespective of government legislation. The economic pressures and the housing needs of the time will dictate how people use their housing in these neighbourhoods. Infill housing will continue on a site by site basis with the public agencies in a strong position to bear the costs and frustration of the approval process, or by private developers where acquisition of suitable land is relatively cheap.

The residents in these neighbourhoods are generally the least well equipped to control their neighbourhood through the political and bureaucratic world of City Hall. Yet their neighbourhood will experience the greatest pressure to absorb the housing problems of the City. These neighbourhoods are therefore the most sensitive to a relaxation of land use regulation controlling conversions and infill. The relatively a-political residents' groups combined with the relatively low price of housing and land make stable working class neighbourhoods ripe for cheap speculative conversions, slum-landlords, bachelorettes and other excesses often associated in the public's perception with conversions. This type of conversion can substantially destroy the stability of a neighbourhood and result in the lowering of property values.

There is no doubt that a greater number of conversions would be acceptable in such neighbourhoods; this is signalled by the large amount of illegal conversion which is accepted by the community. However, the tacit acceptance of illegal conversions still allows the municipality to exercise control over flagrantly unacceptable conversions. In such neighbourhoods land use controls which retain some control over the extent, quality, concentration and type of conversion must be retained by the municipality.

- Infill will be naturally restrained in such neighbourhoods by the lack of opportunity. As in inner-city neighbourhoods, properties are small and few opportunities for infill exist. New units which are constructed would continue to add to a similar socio-economic profile and simply strengthen the neighbourhood. Therefore, the encouragement of infill development in such neighbourhoods would be appropriate through a relaxation of existing controls.

- Conversion and infill tends to proceed at a slow pace in older middle and upper income neighbourhoods, and socio-economic impact is minimal. In neighbourhoods where conversion does occur, income levels will for the most part remain high, although somewhat below the average for the neighbourhoods. In fact, high rents are one method that these neighbourhoods employ to exclude 'undesireable residents'.

- Converted units will provide increased access for younger, smaller households to traditionally stable family neighbourhoods. Although the neighbourhood will undergo a transition to a more mixed, heterogenous social environment, in terms of life-cycle, income and educational background, the neighbourhood will probably not be significantly different. Infill units in these neighbourhoods will generally be priced at or above the existing housing stock and therefore socio-economic characteristics will probably be similar to the indigenous residents.

- The socio-economic impact of changing land use regulations to permit more infill and conversion of existing houses to occur in middle and upper income older neighbourhoods would be negligible. Infill will continue to serve the same or higher income group than that which exists in the neighbourhood. Conversions will occur largely where there is a desire to meet family needs such as the accommodation of a grandmother in a 'granny flat' or the subdivision of a large home to house two elderly couples. The initial cost of the housing and the desire to maximize return will ensure that speculative conversions also serve a relatively high income market.

- Although the physical potential for additional suites in single family dwellings through conversion exists in suburban locations, there is a reluctance on the part of most homeowners. In particular, homeowners who do not require additional income are reluctant to convert a portion of their house. Many homeowners perceive conversions as a threat to their life style. The prospect of zoning changes that would permit conversions evokes fears of both loss of quality of life and personal finances.

- The demand for converted units in the suburbs will also be restricted because of the limited attractiveness of such units for many tenants. Tenants of such units often must rely on public transit for transportation. Many suburban locations are not well enough serviced by public transit to attract tenants who do not own automobiles.

- Given the expected low proportion of converted units within a given suburban neighbourhood, it is unlikely that the predominant social and economic characteristics of such neighbourhoods will be substanitally altered. The type of tenants who would be expected in suburban locations will again be dependent on the type of converted units. The physical characteristics of many suburban single family dwellings would best suit the conversion of a basement. Basement suites below grade are a less desirable type of unit and therefore are rented for less than comparable size units above grade. This lower rent structure would certainly attract households with lower family income than the average for the neighbourhood. However, disruptive tenants and transiency will be less of a problem because the preponderance of units will be in owner-occupied single family dwellings.

- The socio-economic impact of changing land use regulations to permit more conversion and infill in surburban areas would be negligible. The greatest control exists in the reluctance of residnets to change their life style. There are some serious concerns with respect to physical controls, however, the socio-economic impact would be minimal. The likelihood that conversion or infill would introduce a substantially different income or social groups is remote.

3.5.2 Neighbourhood Resistance

- **Would the residents of existing neighbourhoods be opposed to intensification and why?**

  - The analysis of the survey results of homeowners in 10 neighbourhoods in five of the case study areas (i.e. 2 each in Toronto, North York, Hamilton, Ottawa and Kingston) showed that while half of all the households surveyed indicated a high tolerance to or acceptance of (i.e. would have few or no objections) conversion or infill in their neighbourhoods, there would be some resistance in all neighbourhoods.

  - Further, the analysis indicated that neither income characteristics nor household composition characteristics are good indicators of potential reaction to conversion and infill. On a more generalized level, there is a greater likelihood that low-income and higher income households are more tolerant of change than median or middle-income households, but it would seem precarious to base any policy directions on this basis alone.

  - Given these results from the survey, it would seem reasonable to conclude that irrespective of neighbourhood type as characterized by income category, some negative response to infill and conversion must be expected.

- To some extent, tolerance for infill and conversion is higher in Toronto, an older urban area, and in Hamilton, a blue-collar town. Low tolerance groups are more predominant in North York, a suburban city, Ottawa, a white-collar town, and in Kingston, a smaller municipality. These differences amongst the municipalities may, in some degree, be due to the type of urban area and also due to the degree to which conversion and infill has occurred in these areas in the past. Conversion and infill in both Toronto and Hamilton is a fairly widespread phenomenon and has been occurring for many years.

- It would seem that the question of which neighbourhoods are more likely to accept conversion and infill may not be the proper question to ask. Although specific tests were not conducted in this regard, negative reaction is almost equally likely to occur in any type of area for which conversion and infill is a relatively new phenomenon. Reaction to changes is much more a function of specific physical and social manifestations of the changes and how these changes take place, than the generalized characteristics of a neighbourhood or the basic form of change (i.e. our five basic intensification models). While some models will likely produce more objections from homeowners than others (e.g. Model #2 is least likely to prevoke resistance), for most homeowners, however, type of change is not the most important factor involved in conversion and infill.

- Six factors which were thought to be important in characterizing conversion and infill were ranked by households in terms of their importance in maintaining the general quality of their neighbourhoods;

  - the physical type of change in terms of the five models;

  - the type of households moving into units resulting from conversion and infill;

  - the degree of upkeep of converted or infill units;

  - whether or not converted or new units were owner-occupied;

  - the extent to which conversion and infill occurred in a neighbhourhood; and

  - how additional parking needs were handled in terms of on-street or off-street parking.

The ranking of these factors did not vary a great deal amongst the various tolerance groups. Almost all households judged upkeep to be the most important factor and the type of household moving in as the second most important factor affecting the quality of a neighbourhood. The type of change in terms of the five models and parking were ranked as being the least important of the six factors. The quality of upkeep, tenure, parking and extent of change preferred by households is

fairly self-evident. The vast majority of households would prefer to see well kept-up homes, more owners-occupant and off-street parking.

- Acceptability of different household types did, however, vary. In general, most homeowners would prefer to see young married couples moving into their neighbourhoods. Seniors are the second choice for most, and young, single persons are the last choice. Young couples with children would generally be preferred over young childless couples. New households of similar incomes to households already living in an area are most preferred. No homeowners in any area wanted to see lower income households moving in. Preference in households did vary somewhat amongst the tolerance groups. These variances were mostly in line with the specific characteristics of a particular tolerance group. Elderly homeowners were more likely to accept more seniors in their areas; family households are more likely to accept more families.

- Reactions and objections to infill and conversion are likely to occur in any area. The form which such reactions will take would not likely vary in terms of specific type of change. If objectionable changes were to take place, most homeowners would take a number of actions to protect their domain. Protesting to city hall authorities would be the reaction of about one-third of the homeowners. About 20% of homeowners would organize a neighbourhood resistance group. About one in ten would move. Very few (5%) would take it upon themselves to initiate legal actions against the offending party.

- Given the type of problems which objectionable conversion and infill can generate, it is apparent that care must be taken in only encouraging specific types of change which will have minimal impact on a neighbourhood.

3.6 MUNICIPAL AND PROVINCIAL POLICIES AND REGULATIONS

- While Official Plans contain many policy statements relating to housing matters, these statements were found in most instances to be so general that they are of little practical importance as policy tools for promoting or discouraging intensification by conversion and infill as discussed in this study.

- A somewhat surprising discovery made in the course of the study was the existence of conversion provisions in each of the zoning by-laws of the six case study municipalities. However, other than a recently detailed study in Thunder Bay regarding conversion, which has led to amendments to both its official plan and zoning by-law, the investigations did not disclose that any of the conversion provisions examined was the result of a detailed consideration of issues regarding conversion and infill or, for that matter, created in response to a perceived need to encourage such activity. The existence of these conversion provisions

is interesting recognition that the conversions have, to some extent, been a fact of life in Ontario for some time.

- While all of the case study municipalities have conversion provisions in their by-laws, the actual opportunities for conversion tend to be very limited. Zoning by-laws dictate permitted uses and density, while the Ontario Building Code and municipal building by-laws dictate the standards of construction. Taken together these municipal and provincial regulations tend to preclude conversion in all but the most limited circumstances. Existing conversion provisions tend to represent local decisions to restrict, if not discourage, conversion activity. Such provisions were enacted to limit the activity geographically, or to certain types of house forms. In doing so they would array a number of performance standards for conversion activity to meet. On the basis of the investigations and discussions held with key informants, we have concluded that these older conversion provisions amount to attempts to maintain the community and its existing fabric by limiting opportunities for conversion in amount, appearance, location, unit size and other similar matters.

- An additional finding of the study was the discovery of a significant number of units created by illegal conversion in the case study municipalities. This pheonomena was confirmed by the literature review as being prevelent elsewhere in urban areas in North America. The existence of a substantial stock of such units was recognized as contributing in a meaningful way to meeting housing needs in the case study municipalities.

- **How do the by-laws of the six case study area municipalities currently deal with the five intensification models?**

  - Model #1 which achieves intensification with little or no physical alteration is an intensification opportunity virtually unconstrainted by zoning save for limits placed upon the number of occupants a dwelling might be permitted to contain. Municipalities have, in the past, attempted to restrict occupancy to the traditional 'extended' family by defining family in such a way as to restrict occupancy of dwelling insofar as unrelated individuals were concerned. Judicial consideration of this issue by the Supreme Court of Canada has determined that a valid exercise of the zoning power cannot extend beyond dealing with the matter of how many individuals may occupy a dwelling. Zoning by reference to the relationship of individuals sharing accommodation is not a valid exercise of the power and the 'sharing' of accommodtion contemplated by Model #1 would be permitted in various use zones of the case study municipalities.

  - Model #2 contemplates increasing the available number of dwelling units in single household grade related type dwellings by physical alteration. Performance standards relating to such matters as minimum size of front, side and rear yards, set-backs, height, landscaped open

space, minimum size of dwelling unit, number of dwellings per lot and parking requirements were found to create constraints to Model #2 which varied from one case study municipality to another. Intensification activity in the form of Model #2 would conflict with single-family use type designations which applied to a significant amount of the housing stock available for conversion.

- 'As of right' opportunities for intensification in the form of Model #2 were limited even in those areas of case study municipalities in which the conversion provisions of the respective by-laws applied. The various further performance standards relating to such matters as age of the dwelling to be converted, limitation on increases to the internal cubic content of such dwellings, restrictions on external alteration found in the conversion provisions limited opportunities for 'as of right' activity to occur in respect of Model #2.

- Model #3 achieves intensification through the building of an addition, either horizontal or vertical, to achieve an increase in the number of dwelling units. Opportunitites for intensification in the form of Model #3 in the context of the various zoning by-laws of the case study municipalities reviewed can be described as minimal. In addition to satisfying the traditional array of restrictive performance standards (already mentioned regarding Model #2) the conversion provisions of several of the case study municipalities placed severe limitations on conversion which would require external alteration if not prohibiting it altogether. The zoning provisions in question relate to an apparent emphasis on the retention of the physical appearance of the dwelling.

- Model #4 and Model #5 involve intensification by means of infill type development. Model #4 is the erection of additional separate dwelling units in a back or side lot configuration while Model #5 achieves intensification by infilling separate new dwellings in areas of landscaped open space surrounding high-rise buildings. Performance standards contained in the zoning by-laws reviewed would not, other than in the most exceptional case, permit such intensification to proceed without some review and in most instances without by-law amendments. Such development proposals would in our view rightly attract the development review process. If the development contemplated the creation of a 'lot' for purposes of sale of the unit in question, it would be necessary to seek a severence to create the lot. Such applications would require the consideration of the appropriate Committee of Adjustment or Land Division Committee.

- **If residential intensification is to be encouraged, what aspects of municipal by-laws need to be addressed and how?**

Necessity for an Environment Predicated on Certainty.

- Fundamental to the encouragement of intensification of housing by conversion and infill activity is the administrative environment within

which this activity would occur. In all but Hamilton and Kingson we found the areas in which intensification by conversion could occur to be extremely limited. The establishment of zoning performance standards for conversion beyond the more traditional types of general performance standards were identified as significant constraints to intensification. The severity of these zoning performance standards and, in some cases, their subjective nature would attract bureaucratic consideration of intensification proposals. The potential interest in intensification which has been identified on both the demand and supply side is acknowledged as being somewhat fragile and could easily be discouraged by a regulatory system that allows for this type of administrative discretion and judgement. We are firmly of the view that a program for intensification must encourage the adoption of amendments to local zoning and official plan statements based on certainty which will allow as nearly as possible a potential convertor to proceed 'as of right' without the necessity of time-consuming and expensive bureaucratic review and approval steps. The more objective the standards adopted are, the greater the certainty and therefore the less likely it is that potential convertors will be discouraged. We are aware of commuity concern over certain forms of intensification and recognize that a system containing administrative review might go some way to alleviating these concerns. In other jurisdictions consideration has been given to the use of permit zoning procedures. The Planning Act (prior to the enactment of Bill 159) in our view did not provide a sufficient legislative basis for such a system. The essential ingredient to a program to promote intensification through conversion is objective and certain standards which lead to the issuance of building permits without necessity of subjective administrative review.

While it is acknowledged that conversion activity may not be appropriate universally for a particular municipality, it must be emphasized that this type of conclusion can only be reached by proper analysis of the municipality itself. Other than Woodstock, which has attempted to define its prime conversion area by the area designated for R.R.A.P. funds, there was little evidence that any real attempt was made to identify areas of opportunity within the various case study municipalities as a basis for application of their particular conversion provisions. We believe it is essential for this type of physical investigation of opportunities to occur and to be clearly directed to the goals to be achieved. These goals could include for example:

- stimulating a more efficient utilization of urban infrastructure and housing stock;
- stimulating the creation of moderately priced small rental units;
- preserving the existing stock of older, larger downtown houses.

. Once a municipality has identified in this rational manner the areas in whch various types of intensification would be permitted, it would seem to us that as a matter of practical and rational application, every attempt should be made to avoid the inclusion of criteria or specifications in any defintion of a "converted dwelling" or a "converted dwelling unit" in the zoning by-law. Such specifications should be dealt with as conditions that have to be met to obtain a building or development permit as in the case of other forms of development.

Specific Conditions

. All of the case study municipalities with the exception of Woodstock had specific provisions in their by-laws relating to the minimum age of dwellings that could be converted. From our discussions with the municipal key informants, it is apparent that these connstraints were created in an attempt to either direct conversion activity toward the larger, older downtown homes or to discourage new housing from being built specifically for the purpose of potential conversion. In our opinion age restrictions should be removed from the by-laws, letting the other performance standards in the zoning by-law direct conversion activity. If the age of dwelling is deemed to be an important policy consideration in a particular municipality, the date to be used should be established with certainty. It must be pointed out, however, that this type of criteria could greatly reduce opportunities for conversion to occur by limiting the stock available for conversion. In particualr any form of age criteria would by its nature limit production of new dwellings that might be built for possible conversion and for that matter would remove any impetus for designing housing in ways which would facilitate conversion at some later date.

. The obvious intent of external/physical change provisions is to maintain the existing character of an area and to ensure that what intensification activity occurs is imperceptible to anybody other than the careful viewer. Obviously, the issue of external appearance is a sensitive one. Municpal officials throughout the key informant interviews consistently identified that local residents were resistant to conversion which would alter the existing physical character of the neighbourhood. This concern was borne out in the results of the opinion survey done as part of this study.

In our view constraints on external/physical change act to significantly curtail opportunities for conversion, in particular conversions which can only be achieved (for design or Ontario Building Code reasons) through building an addition vertically or horizontally to allow a grade related dwelling to be changed from single household to multiple household use.

. We are of the opinion that any series of conversion provisions should lead as frequently as possible to conversion "as of right" and

site-by-site approval should be avoided to prevent unnecessary bureaucratic review with the concomitant expense in time and money on the part of the applicant, as well as on the part of the municipality. These conversion provisions at the same time must respect the legitimate concerns of the residents.

Overly subjective statements such as those found in the Toronto and Hamilton zoning by-laws should be avoided. Provisions dealing with such matters as 'material alteration' and 'character' are vague and uncertain and can therefore easily give rise to abuse. Such provisions are nothing short of opening Pandora's Box. This is not to say that external alteration/physical change cannot be adequately addressed. For example a performance standard requiring that:

> 'the external appearance of the dwelling continues to resemble a private dwelling house' or, 'the dwelling house maintains its external appearance as a private dwelling house'

would address the concern relating to the maintenance of the perceived nature of the neighbourhood, while at the same time allowing the prospective converter ample flexibility to accommodate conversion through structural external alteration. Such language would be understandable and therefore be easily applied as a performance standard.

Several important issues are raised by specific constraints that establish minimum or maximum sizes for new dwelling units created through conversion. To properly focus these issues, reference should be had firstly to the Ontario Building Code minimum size for a unit. Subsection 9.5.3 of the O.B.C. establishes the minimum size for a unit by establishing minimum areas for the various components of a dwelling unit which when accumulated will contain a minimum of 265 square feet. This would include what is described in the Code as the living, dining, bedroom spaces as well as kitchen and sanitary facilities. The O.B.C. is commonly acknowledged as consisting of building requirements to minimize the risk of injury and property damage from structural failure and fire and health hazards. It is most interesting to compare the minimum unit size constraints for converted dwellings as found in zoning by-laws of the case study municipalities. Only North York was silent in its by-law on the issue of minimum converted unit size. All others have provisions substantially in excess of the O.B.C. minimum ranging from approximately 150% to 265% of the prescribed minimum. Admittedly, a 265 square foot dwelling unit does not necessarily coincide with the public's notion of spacious or comfortable housing. However, the minimum unit size constraints discovered by us illustrate how such constraints can be used effectively to restrict demand for such units on the basis of affordability. By specifying an excessive minimum unit size, the converted units created can only cater to those in a position to afford this more spacious accommodation. In our view,

there is much to be said for an approach which avoids the specification of minimum, maximum or average units sizes whatsoever. It would seem that the OBC minimum which is predicated on the basic issues of health and safety is sufficient. Whether or not OBC minimum sized units would result can be left to traditional market forces or the specific needs of the owner-occupant.

Parking requirements as found varied greatly but can be summarized as reflecting the existing standard for dwelling units in a particular area. This is really not surprising given that the minimum unit sizes previously discussed would be far more likely to generate car-owning occupants than more modest units created with a view toward affordability. The issue of parking seems to be two-fold. Firstly, there is the issue of whether or not a converted unit should be required to meet the same parking standard as any other dwelling unit. Secondly, there is the issue as to where the parking is to be situated on the lot upon which the converted dwelling unit is located.

With respect to the issue of the parking standard, a significant amount of investigation and analysis was undertaken as part of the Bureau of Municipal Research study "A Case of Bachelorettes", a study of the intensive creation of small unitized dwellings in the City of Toronto. On the basis of in-depth discussions with the author of the BMR study, we are of the view that:

- any parking requirements established for converted dwelling units should be the result of a study of car ownership levels in the municipality as patterns of car ownership and availability of public transportation will vary from municipality to municipality and from neighbourhood to neighbourhood;

- that a realistic parking requirement development on the basis of such parking studies for modestly sized converted units that may be reduced or as much as half that required for a standard dwelling unit; and

- that special attention should be given to the requirements of the senior citizen who may not own a car at all, and that in this regard consideration should be given to further reducing the requirement where such a potential convertor is to be an owner-occupant.

The second issue relating to parking is that of the accommodation of the car on the site. This is an extremely difficult area which really includes issues of external alteration. Again, this is an area where we believe that any requirements made should be established on the basis of informed study and, once established, should be specific so as to facilitate an "as of right" system. Basically, we believe that existing standards regarding the nature and location of parking stations are far too rigid and that creative solutions/alternatives can be found (e.g. tandem parking, front yard and back yard parking).

- Several of the conversion provisions examined contained limitations on the number of units that could be created in a converted dwelling house. With the large minimum unit size requirements encountered, coupled with restrictions on external changes or additions and parking requirements, one might describe absolute restrictions on the number of units to be created as a degree of overkill. Nonetheless, this type of constraint was encountered in both the Hamilton and Ottawa by-laws. By-laws of other case study municipalities were silent on the issue of numbers of units or expressly provided for no maximum number. In our key informant interviews we were able to confirm that in these latter cases it was felt that other constraints and performance standards, such as parking, unit size and residential density controls were appropriate and would adequately control the number of units to be created in any converted dwelling house. In our view the issue is not unlike that of unit size and we remain of the view that the issue should be determined by economics of the market place as well as standards established on the basis of health and safety.

- **What should be done with regard to existing illegally converted dwellings?**

  - Early on in the study process the fact was accepted by us that there does exist in Ontario a rather significant number of illegally converted dwellings. These units constitute an important part of the existing housing stock in many of the case study municipalities examined. In characterizing the stock of illegally converted units there appear to be two general categories into which such units fall. Firstly, there are those units for which a building permit has not been obtained (a contravention of the present Ontario Building Code Act) and which do not conform to the existing zoning, possibly including any conversion provisions contained in the by-law. The second general category include those units which, regardless of conformity with zoning, would not meet the present standards for construction as set out in the Ontario Building Code. It is obvious to us that there are differing levels of concern arising from whether or not a unit simply fails to comply with performance standards of a zoning by-law or fails to meet the more fundamental considerations of health and safety contemplated by the standards contained in the OBC.

  - With the exception of Toronto's bachelorette clean-up, none of the case study municipalities indicated that they had or presently have an organized program of enforcement against illegally converted units. There are two basic ways that the municipalities become involved in enforcement activity. Firstly, and perhaps most importantly, the municipality responds with enforcement of its standards where the illegally converted unit has been identified through a neighbour's complaint. Because most illegal conversions do not require any external change to the structure they are nearly impossible to detect and come to the attention of the municipality only through such a complaint. As is readily apparent, such an informal enforcement system can function quite well insofar as the local community is concerned.

Wherever an illegal conversion is preceived as interfering with community standards, it will be the subject of complaint, otherwise the enforcement mechanism remains dormant. The second way in which an illegal conversion comes to the attention of a municipality and thereby subject to enforcement, is through a proposed conveyance of the converted house. The solicitor's letter to the municipality seeking verification of the use with respect to zoning will identify a use which has not been built in accordance with zoning or the issuance of a building permit.

. Because of the apparent large numbers of illegally converted units there is some significant hesitation on our part to promote the concept of intensification and particularly conversion activities for fear such encouragement might result in the net loss of housing stock through the loss of illegally converted units due to heightened enforcement. However, in order to successfully promote intensification activity, a program of redefined and relaxed regulations and performance standards will not suffice to encourage all of the present illegal stock to be brought forward for legalization. On the other hand, a simple blind-eye approach leaving enforcement to its present ad hoc informality would not seem to be compatible with a positive intensification program from a policy point of view. Devising some method of encouraging the legalization of illegally converted units would seem essential if programs to encourage intensification are to be effective. Otherwise, it appears to us that in the present regulatory environment it would be far simpler to illegally convert.

. There are several possibilities which, in our view, should be given serious consideration. They are:

- a general amnesty for all illegally converted dwellings where matters of zoning are concerned;

- short of a general amnesty, a selective relaxation of various performance standards such as density, parking prohibitions against external appearance, etc.;

- relaxing the prohibition against habitation in units which have been located in below grade in cellars and basements as defined in the various zoning by-laws reviewed. Other than the issue of flooding which could be dealt with on a local basis, it would seem that this prohibition against habitation below grade is no longer relevant and has been more than adequately handled by requirements for adequate natural light and mechanical ventilation to be found in the standards of the Ontario Building Code;

- an amendment to the Planning Act to ensure that adequate statutory direction is given to committees of adjustment in exercising their discretion to permit minor variances from by-law requirements. The present language of section 49 provides some concern to committee

members and this concern is not assuaged by judicial comments or the exercise of this discretion. Consideration would be given to amending the Act to clarify the test to be applied by the committee to an application requesting approval for a "minor variance". The test to be applied by the Committee to a minor variance application pursuant to Section 42 (1) of the Planning Act contains four requirements that must be addressed and the Committee must be satisfied in regard to all of them. This test, we suggest, should be replaced with a test that addresses the following: How would the proposed variance affect the existing land use in question? Is it of general benefit to area and the community at large?; By way of a limited general amnesty, to deem all illegally converted units which are within five to ten percent of compliance with the performance standards to be complying for purposes of zoning thereby eliminating a group of the least objectionable units from any review process.

- **How do the present Ontario Building Code and the proposed Renovation Code impact on intensification?**

  - The draft Part 11 - Renovation Code may ease some of the requirements of the present Ontario Building Code which are directed primarily to new construction. The draft Part II directs itself to renovation work which is fundamentally different than new construction. Although a consistency of performance standard is going to be achieved as between new and renovation work, the latter requires a much greater degree of flexibility on attaining the goal. For this reason, it would seem to be appropriate to suggest greater flexibility as a matter of general application.

  - We are extremely concerned however, by the possible effect of Subsection 11.1.2.1 of the Renovation Code which describes the "Eligibility" aspect of the code as it will relate to residential renovation. Subsection 11.1.2.1 states:

    > 11.1.2.1 All existing buildings which have been legally occupied and used for at least five years qualify for compliance with this Part.

    The issues of legal occupancy and use for five years are raised and we are most concerned that as occupancy is a matter of use and many of these will be illegal on that basis, it is essential that this provision be clarified to ensure the relaxed standards of Part 11 are made applicable to illegally converted units.

- **How do the present development and building approval processes impact on intensification?**

  - Any program which would seek to encourage intensification activity will necessarily require that a minimum of time and effort be directed to site by site consideration. Both infill models would likely attract

site specific review as well as development review procedures and we are of the view that this process can and should not be avoided. The conversion models on the other hand would not necessarily attract the planning approval process. Certainly, Model #1 would not even require the issuance of a building permit. Internal reorganization of space and/or enlargement by an addition would require the issuance of a permit and as the latter is prohibited in the present conversion provisions of several of the case study municipalities, a rezoning would likely be necessary, or at the very least an application to the Committee of Adjustment.

- In our view the greater the level of bureaucratic hurdles encountered, the less the opportunity for real results to be achieved by any intensification program. For this reason we believe that, as nearly as possible, any program should be based on an "as of right" basis for the potential convertor. The more certain the constraints the easier their application, and therefore, the more efficient the process by which private owners, small builders, or developers of scale can become involved. We are aware that this view is not universally held. The American Planners Association was of the view that accessory units should be the subject of special permit procedures. "As of right" was rejected because in their words "it makes acceptable without review what in most communities has been an unacceptable use, and does so without any provision for ongoing oversight". The APA was attempting to encourage a program emphasizing owner-occupancy as a basis for acceptability by the community. While this is certainly a matter of concern there may be some legal difficulty under the present Planning Act to zoning to specify owner-occupancy. The matter of "popular zoning" vs. zoning of use was recently canvassed by the Supreme Court of Canada which struck down a definition of family limited by ties of marriage or consanguinity. The draft Planning Act would appear broader in application on this point and might very well provide the legislative basis for provisions requiring owner-occupancy.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

- **What overall conclusions have been reached with regard to the opportunities and constraints for residential intensification?**

Physical Potential

- There is considerable physical potential in terms of the size, form and current utilization of the existing grade-related stock to increase the stock of rental housing in Ontario municipalities through a variety of intensification activities (particularly conversion) in existing residential neighbourhoods to meet a substantial portion of the future rental housing needs of Ontario. Of the approximately 1.2 million owner-occupied, single family dwellings in Urban Ontario, just over half would appear to have sufficient excess space to accommodate at

least one additional person or household as per Models 1 and 2. Many dwellings are large enough to accommodate more than one additional individual or household.

Economics

- The creation costs of realizing this physical potential would in most instances be considerably less than producing equivalent (i.e.size) new rental accommodation, thereby producing break-even rents that would be considerably lower than those required to pay for a new apartment.

- Depending upon such critical factors as interest rate levels and prevailing market conditions with respect to rents, there would appear to be good reason to believe that small real estate investors/ developers may find various types of intensification activity to be competetively attractive forms of investment. The economics of conversion are more favourable as they pertain to the individual homeowner and particularly for those with no or low mortgages against their home. The net increases in income or reduction in homeowner occupancy costs could be substantial and in many instances may attract the interest of those households which are having difficulty in affording to buy a home or to stay in their present home.

- Intensification of existing residential neighbourhoods is unlikely to cost municipalities any more than new suburban development even given the extensive grants and levies that municipalities currently receive to offset the costs of suburban development.

Supply Process

- In the majority of cases individual homeowners and small investors/ entrepreneurs will have to be relied on to provide additional accommodation through conversion, while infill activity within existing residential neighbourhoods would likely be provided soley by small and medium size developers.

- There appears to be considerable interest currently among existing homeowners and potential homeowners to undertake conversion activities.

- Homeowner preference is in providing rooms or basement apartments for younger tenants over providing a self-contained apartment at or above grade (the type of accommodation preferred by tenants).

- In order to get individual homeowners to undertake conversion activities they will require encouragement, advice and information and perhaps some financial assistance.

- There appears to be sufficient capacity and capability in the construction industry to handle significant increases in renovation type construction activity.

- The cautious policies of conventional lending institutions towards financing renovations may present some barriers to people undertaking conversions but should not affect viable forms of infill development.

Tenant Market Demand

- There appears to be a very strong tenant market demand for self-contained accommodation in converted dwellings among young singles and young couples in the middle and upper-middle income brackets. This demand is particularly strong among those with definite intentions to become homeowners.

- Tenant demand focuses primarily on grade or above grade apartments in non-owner occupied houses. While there seems to be a mismatch between what homeowners are, at this point, prepared to provide and what the market is looking for, there would appear to be enough of a match to ensure a full take-up for any new units that would be provided.

Neighbourhood Impact And Resistance

- The process of infill and conversion is generally a positive form of neighbhourhood change in response to the changing needs of an urban area as it matures and responds to new forces and demands. However, the physical aspects of conversion and infill are open to abuse. Therefore, while it is appropriate to encourage this type of change in all neighbourhoods, it is also essential to ensure that the most critical physical aspects of change will be adequately controlled.

- Although the majority of residents in existing residential neighbourhoods are not opposed to intensification activities, some strong and vocal resistance is likely to be encountered in most neighbourhoods.

- The degree of concern and resistance is likely to vary most in relation to the degree and type of social and physical change that intensification would produce. In otherwords most people would not support intensification activity if it resulted in a change in the socio-economic status and stability of their neighbourhood or a change in the level of upkeep and overall physical character of their neighbourhood. In particular absentee landlords and young single tenants are not favoured.

Municipal And Provincial Policies And Regulations

- Existing municipal by-laws and other government regulations in most instances discourage or prohibit most types of neighbourhood intensification except for a hor owner wanting to rent out a room or a group of unrelated individuals renting an existing single-family dwelling.

- In most areas of most municipalities, intensification, as discussed here, is not permitted on an as-of-right basis and where it is permitted it is severely restricted by definition or by a variety of performance criteria related to such things as unit size, age of dwelling, external change and parking.

- There already exists a large stock of illegally converted dwellings that for the most part play a very important role in meeting current housing needs.

- In summary, residential intensification appears to be a realistic and economically feasible long-term alternative approach to meeting a portion of Ontario's rental housing needs in the 80's and 90's and to opening up the prospects of homeownership for a greater proportion of the population. Given this, we believe that actions should be taken by the Province and by Ontario municipalities to see that the potential of this alternative is realized.

- **What actions would we recommend that the Ontario Government take to minimize the constraints and maximize the opportunities for intensification?**

Introduction

- Before setting out our recommendations concerning the actions that we feel should be taken by the Province, we should make two points. First, in no way do we feel nor would we recommend that the intensification approach can meet all additional housing needs in the Province over the next 10-20 years. Considerable new rental and ownership housing will be required during this period and the Province should not emphasize the intensification approach at the expense of these other approaches. In our view, intensification addresses certain housing needs which in many instances cannot and will not be met by building new.

  Second, compared to previous government initiatives to promote the provision of additional housing (i.e. through new construction), intensification must be viewed as a medium and longer term initiative. In other words, the Province should not anticipate immediate results from such an approach. Compared to past government funding programs directed at providing incentives for the construction of new rental and ownership housing, the intensification approach faces certain constraints that either fall outside of the direct control of the Province or which could take some considerable time to overcome. Two of these are outlined below:

  - Homeowners will not naturally respond to incentive programs the way development entrepreneurs traditionally have. Homeowners will require some considerable encouragement and education concerning the merits of conversion before they will respond in any numbers to new opportunities.

- Existing municipal by-laws, official plans and development approval practices and procedures constitute a major constraint to realizing intensification opportunities to any major degree throughout the Province. The only effective and feasible way of removing these constraints and realizing the considerable potential that does exist is for each and every municipality to make a decision in principle that intensification is a viable alternative approach to meeting future housing needs and to commit themselves to making the necessary changes to remove regulation and procedural constraints that are currently in place. Such changes take time and will not happen in a uniform or consistent manner across the Province. Optimistically we would allow a minimum of 4-5 years for such changes to be put into effect to any substantial degree.

. Third, if the potential of the intensification approach in meeting future housing needs is to be realized, the Province will have to take the lead role. We are by no means suggesting by this that the full responsibility lies with the Province. Indeed, as we point out in the following recommendations, muncipalities have a major role to play. But many of these municipal initiatives will require some catalytic measures to be taken by the Province.

. Finally, we would point out that, in our view, minimal conversion activity will take place until the proposed Renovation Code is put into effect as a Part 11 amendment to the Ontario Building Code. We feel strongly that the Province should move quickly in this regard.

1) General Policy Initiatives

. Adopt and give considerable emphasis to neighbourhood intensification as one important housing provision strategy for the 80's.

. Conduct a review of any and all existing policies, programs and legislation in the housing and municipal affairs related areas to assess impact on intensification. For example, the Province should undertake a detailed review of its many grants to municipalities to assess their compatibility with the objective of encouraging more infill and conversion housing to be built and to adjust the grants accordingly if they are not at least neutral with respect to this objective. Similarly, the Province should review and revise the Landlord and Tenant Act to ensure that it reflects the intrinsic difference between a conventional absentee landlord and an owner-occupant landlord and the added risks the latter takes in becoming a landlord in terms of the quiet and uninterrupted enjoyment of his or her place of residence. A final example relates to the Assessment Act and the need to review the extent to which current assessment practices with regard to the treatment of owner-occupied converted dwellings could act as a disincentive to home owners who may be considering converting their home to a duplex or triplex.

2) Promotion And Program Initiatives

- Develop a promotional strategy and campaign to heighten the awareness of municipal officials regarding the community benefits of conversion and infill activity and encourage municipalities to undertake a review of their official plans, zoning by-laws and development approval procedures with a view to minimizing the constraints these pose to conversion and infill and to maximize the opportunities for intensification.

- Develop financial assistance programs to encourage and assist municipalities in:

  - undertaking a review of their official plans, by-laws and development approval procedures and practices as they pertain to residential intensification and to make appropriate adjustments/revisions to encourage these types of activities
  - undertaking regular infrastructure capacity studies to determine and monitor levels of efficiency and excess capacity
  - establishing a housing development process facilitator position to assist homeowners in undertaking conversion and infill activities
  - monitoring the level of conversion and infill activity and reporting to the Province.

- One specific tactic that the Province could employ to not only encourage or solicit the cooperation of municipalities but to test out certain assumptions concerning conversion and infill would be to mount a series of demonstration projects in the case study areas considered in this analysis.

- Develop a promotional strategy and campaign to heighten the awareness of homeowners (particularly young couples, empty nesters and seniors) and prospective homeowners of the benefits/advantages of conversion. Such a strategy and campaign should promote the conversion options which are most in line with what tenant groups in the Province would be most apt to rent and should begin to dispel reservations that the homeowning public may have towards conversion related to costs, approvals, construction and renovation and landlord and tenant relations, rent review, capital gains and other income tax implications and property assessment.

- In conjunction with its promotional efforts with regard to homeowners and prospective homeowners, develop specific information packages for homeowners to assist them in understanding:

  - the physical opportunities available to them with regard to converting and/or adding to their home
  - how to go about planning and carrying out a conversion with respect to gaining approvals, hiring a contractor, financing the

renovations and renting out the space
- financial benefits that could be available to them
- the property and income tax implications of converting and renting out part of their home.

. Develop an information package for contractors with regard to procedures to follow in dealing with homeowners and municipal authorities in carrying out a conversion.

. Encourage conventional lending institutions to review and alter their mortgage lending practices so as not to discourage homeowners, prospective homeowners and others from undertaking conversions. In order to facilitate private investment, the Provincial Government could consider a proposal whereby the risk factor under current circumstances could be reduced with the introduction of mortgage insurance packaging.

The proposal would involve the following steps.

1. Establishment by the mortgage insurance firms of a plan whereby an additional premium of, for example, of 1 percent would be charged to an applicant requiring both interim and completion loans for renovation purposes. In turn, private lenders would then provide the capital but the risk would be with the mortgage insurer.

2. In order to establish such a plan, a reserve must be developed to finance defaults. Senior officials of the Mortgage Insurance Co. of Canada have estimated that the value of defaults would exceed the aggregate value of premiums until approximately the end of the 5th year. They are quite keen on such a scheme but have asked that the Province consider providing a reinsurance fund for that initial five year period until the reserve could be self-sustaining.

3. The maximum estimated cost of the reinsurance would be about $2.5 million per year or a total of $12 million for the five year period. These estimates are based on a minimum $100 million renovation expenditure per year or $500 million over 5 years. These expenditures could create almost 26,000 man years of employment.

It would be very consistent for the Province to share the initial risk with the private sector since renovation activity has a very high job creation factor which, in turn, would provide Provincial revenues through direct and indirect taxes on materials, personal incomes and retail products.

3) Legislative Initiatives

- Ontario Building Code: As noted above, the draft Renovation Code: Part II should be brought into effect immediately and be applicable to all existing illegal dwellings In this regard, the discretion of the Chief Building Official with respect to compliance with Code requirements should be made sufficiently broad to allow departures from Code requirements provided life safety levels are maintained. As drafted, Part 11 contains "compliance alternatives" for consideration that are considered equal to existing safety requirements. An applicant may, subject to certain conditions, match existing levels, use compliance alternatives, suggest alternatives for consideration, or comply with the Code "to the fullest extent practicable." The level of the life safety in a renovated building is to be equal to or better than that existing in the building prior to renovation. The directives "equal to" and "to the fullest extent practicable" are subjective and do not have upper or lower limits. It remains to be seen, upon enactment of Part 11 how reasonably and flexibly its directives are implemented, keeping in mind the need for minimum levels of safety, even in renovation work.

- The Planning Act: The authority of the Committee of Adjustment under the new Act (Bill 159) includes the granting of minor variances from the zoning by-law. (Section 44 (i)) It is suggested that the present requirements prior to granting a minor variance should remain, although with a significant change at the municipal by-law level that would have considerable impact on Committees of Adjustment. The four pronged test to be met by the applicant to the satisfaction of the Committee will remain as it is at present, namely:

  1) The variance is minor from the provisions of the by-law and (2) is for an appropriate development (3) that complies with the general intent and purpose of the by-law and (4) with the official plan, if any.

  At the present time any application involving any small variation from the requirements of the by-law, no matter how minor, must go through the Committee of Adjustment process.

  To facilitate conversion of the existing residential stock, the municipal by-laws should be amended to include provision that for purposes of renovation and conversion, an application for conversion purposes involving an already built structure with variances from the by-law of less than a certain percent (for example 5% to 10%) relating to such matters as yard setbacks, area of parking stations, and height of the building, to list the most common, shall be deemed to comply with the zoning by-law. Implementation of this suggestion will eliminate from any review process a group of units that are

basically within the scope and intent of the requirements of the by-law and official plan.

. Landlord And Tenant Act: The Landlord and Tenant Act applies to all residential tenancies, notwithstanding any contract to the contrary between the parties. In recognition of the special nature of tenancies in relatively small, owner-occupied dwellings, the Act requires amendment. The traditional common law which had developed prior to the enactment of the present Act was protective of property owners and landlords' rights almost to the exclusion of those of tenants and it is fair to say that the legislature enacted the Act in large measure to protect the tenants from the more draconian aspects of the common law. As a result of the present Act, many small property owners, especially owner occupants, realistically fear they will not be able to get rid of bad tenants in an expeditious manner. One route to amending the Act is to include a section to the effect that the Act does not apply to owner occupied dwellings containing three or fewer rental units. The anticipated criticism of this approach will be that this would render a group of tenants unprotected by the Act and throw them back on the harsh provisions of the common law.

Another route to amending the Act would be to tighten the reasons for termination of tenancies and to shorten the time periods. Speedier termination for non-payment of rent could be achieved by shortening the present waiting periods before a landlord may act to evict a tenant and by providing that repeated non-payment or late payment of rent would provide a reason for summary termination, bypassing the present cumbersome procedure. At present a landlord can be stuck with a non-paying tenant who brings himself into compliance with the Act, thus avoiding termination, by paying back rent only when the landlord goes to the bother and expense of commencing proceedings.

Although the present forms that are provided are straight-forward and easy to fill out, many landlords' attempts to evict tenants fail due to technical flaws in the forms and to flaws in how notice was given. Consideration should be given to simplifing these requirements in the Act even further and to permitting amendments to flawed notices and forms, not to deprive tenants of protection but rather to permit the court to deal with the equities of the case. The opportunities to amend pleadings in the Provincial Offences Act are examples of the Legislature permitting great flexibility in this type of matter.

Any amendment to the Act permitting owner-occupants of small properties containing rental units to contract out of the Act with their tenants is not recommended, as it would protect only these owner/occupant landlords who are relatively sophisticated, and would put a burden on those owner/occupant landlords who are perhaps most

in need of protection from that small percentage of exploitative and manipulative tenants most likely to take advantage of elderly, naive landlords.

- **What actions would we recommend that municipal governments take to minimize the constraints and maximize the opportunities for intensification?**

1. Ontario municipalities should undertake an evaluation of their future housing needs and housing opportunities from the point of view of the role serious intensification activities could play in meeting these needs and if warranted, undertake an analysis to identify areas of opportunity within existing neighbourhoods for intensification.

2. Having identified areas of opportunity, official plans and zoning by-laws should be revised to permit conversion and infill in these areas "as of right". In doing so:

   - Every attempt should be made to avoid the inclusion of criteria or specifications in any definition of a converted dwelling or a converted dwelling unit.

   - Age restrictions related to conversions should be removed from by-laws, letting the other requirements of the by-laws and market demand govern conversion.

   - Any requirements or standards with regard to external appearance, if made, should be of a specific and objective nature and not open to subjective judgements.

   - Wherever possible the specification of minimum, maximum or average unit sizes should be avoided. (The O.B.C. minimum which is predicated on the basic issues of health and safety is sufficient). Whether or not O.B.C. minimum sized units would result should be left to traditional market forces or the specific needs of the owner-occupant.

   - Any parking requirement established for converted dwelling units should be the result of a study of car ownership levels in the municipality with the understanding that in most cases a realistic parking requirement for modestly-sized converted units will invariably be less than half that required for the standard dwelling unit and that special attention be given to the requirements of the older homeowner who may not own a car at all.

   - Those aspects of by-laws dealing with how parking is to be accommodated on a site should be studied and revised from the point of view of providing less restrictive and more creative options. Again, any requirements that are established should be specific so as to facilitate an "as of right" system.

- By-laws should be changed to take out any reference to the maximum number of units that can be created through conversion or infill letting other constraints and performance standards, such as parking, unit and density controls determine the number of units to be created in a converted dwelling house for on an existing site. In our view the issue is not unlike that of unit size and should be determined by the economics of the market place as well as standards established on the basis of health and safety.

- While the nature of infill activity, in our view, would rightly attract closer scrutiny then conversion (i.e. development review), this is not to say that the standards, (e.g. constraints, identified by us in our review of the various by-laws and official plan policies) are at present a satisfactory environment to encourage such activity to occur. In our view, municipalities which are interested in encouraging a more efficient use of infrastructure through intensification should not limit the scope of their interest to conversion activity. Opportunitities by way of infill are achievable if some consideration is given to a review of zoning by-law constraints such as the definition of a "lot" and the performance standards included in these definitions relating to frontage, size, number of buildings permitted, etc., with a view to modifying them to the extent necessary to encourage infill while at the same time maintaining adequate standards for servicing of the infilled dwellings and access to it.

3. With regard to the future treatment of existing illegally converted dwellings, municipalities should consider adopting one or more of the following alternative approaches:

   - a general amnesty for all illegally converted dwelling units insofar as matters of zoning are concerned;
   - a selective relaxation of various performance standards such as density, parking, prohibitions against external appearance, etc.; and/or
   - relaxation of the prohibition against habitation in units which have been located below grade in cellars and basements.

4. In conjunction with reviewing and revising official plans and zoning by-laws as they pertain to intensification, with a view to encouraging these types of activities, municipalities should consider:

   - developing a public relations/promotion/education campaign directed at specific neighbourhoods to increase public acceptance of the municipality's objectives re. intensification and thereby reduce the likelihood of resistance to these initiatives.
   - establish a housing development process facilitator position at City Hall to assist homeowners who wish to undertake conversions.

PART 4: CONSERVING THE EXISTING RENTAL STOCK

INTRODUCTION

- **What role will the current rental stock play in meeting the housing needs of Ontario in the 80's and 90's?**

  - The existing rental stock in Ontario (as with the total housing stock) is an important and extremely valuable asset which is performing an essential function - housing people who, through necessity or choice, have opted to live in rental accommodation rather than purchase a home of their own. The current rental stock, plus additional new rental dwellings, will be required at least to the end of this century (and likely well beyond also) to accommodate projected household growth as well as current renters. Inevitably, some of this stock will be lost through various means; but each unit lost must be replaced and these replacement units, as well as the new units which are required to accommodate renter household growth, will cost 2 to 3 times as much to build as the units lost to the stock. These higher costs will, of course, be reflected in substantially higher rents for the new accommodation - rents which many of the displaced tenants simply will not be able to afford. This, plus the lunacy of allowing an essential low-cost capital asset to degenerate or to be demolished and replaced with a high-cost capital asset, is the reason behind this study's mandate to explore ways of promoting the conservation of the existing rental stock.

- **What forces/factors have affected and could threaten the security of this stock?**

  - The reasons behind the loss of rental stock are complex and numerous and they vary in importance from centre to centre:

    - Some buildings simply are obsolete and do not provide the standard of accommodation which society dictates as being reasonable.

    - Some units are located in structures which have in the past been converted to multiple occupant use which may no longer be considered to be suitable by the current owners.
    - Some rental units are individually owned units (grade-related dwellings or condominiums) which can revert back and forth between rental and owner-occupation upon sale or the changing circumstances of the owner.
    - In many cases, however, rental units are being lost because the current economics of the rental market are such that many private landlords can make greater returns by disposing of the properties through sale, conversion to condominium or demolition and replacement with new buildings and investing their money elsewhere.

The economics of the rental market are such that prevailing market rents are well below the rents which would be necessary to carry today's construction and financing costs for a new rental property - unless the government is prepared to contribute a significant subsidy. As was outlined in the section on the economic and demographic environment, the reasons behind the problems in the rental market are fairly straightfoward - even if the solutions to the problems are difficult:

- Rent review: clearly, the imposition of rent review in 1975, at a time when rental markets were tight and rents were rising, has served to keep market rents below what would have been the case in their absence. It is tempting for many observers to blame the entire rental market imbalance on rent review but this is not the case, other factors have contributed as well.

- Lower subsidies to rental investors: in an effort to spur rental construction in the late 1970's and early 1980's, the federal and provincial governments initiated substantial subsidy programs for investors in rental accommodation. These subsidies were very costly but they resulted in large numbers of new rental projects which had rents well below what would have been possible in the absence of the subsidies. An important impact of these programs from the point of view of the rental market as a whole was that they relieved the pressure for a strong upward movement in rents that would have occurred if the market had been left alone. Most rental subsidy programs have now been discontinued so new rental projects require markedly higher rents than those built even 2-3 years ago with the subsidies.

- High mortgage interest rates: the combination of decreased rental subsidies and the explosion in interest rates in 1979-1982 have dramatically increased the rents which would be necessary to cover costs on a new building or a building facing renewal of its mortgage.

As a result of this combination of factors, new rental units are coming onto the market at significantly higher rents than the units in existing rental projects. New production is weakened because the demand for new units is constrained by the substantial gap between the rents on these new units versus the prevailing rents in the existing stock. Landlords in the existing stock, meanwhile, have had their profits constrained below what they would be in a free market. This can result in either acceptance of the status quo (6% annual rent increases, or more if they can prove that their costs increase by more) or some action which might increase their profits. This latter course could mean one of the following:

- Sale to another landlord can increase profits since, by the rules of the rent review process, the purchaser can pass through an increase

in rents as a result of increased financing costs. The ability of the new landlord to pass the higher rents on to the tenant is the key behind this process since the higher rent stream will increase the value of the property - the existing landlord could not pass on such higher financing costs.

- Conversion of multiple unit rental properties to condominium tenure can bring vastly increased values for existing rental properties since the sale prices are more closely related to dwelling replacement costs than are market rents. This avenue has been closed in most municipalities through regulations which place limitations on the ability of owners to convert existing rental properties to condominiums because of the tight rental markets.

- Postponement of normal maintenance or conservation expenses (and minimization of other expenses) can result in higher returns. Landlords can increase rents beyond 6% if they can justify the increase because of increased costs - but increased profits cannot form part of the justification and the procedure is tedious and uncertain. If cost increases can be held below 6 percent, profits will increase - profit-maximizing landlords will, therefore, have good reasons to try to minimize outlays of all kinds. There is a real danger that essential maintenance and conservation expenses on rental buildings are being postponed because of this.

- Demolition and sale or redevelopment can make economic sense in some cases as well. If a rental building is old and substantially depreciated (for tax purposes), and is in a location where a newer residential or commercial building could be successfully marketed at substantially higher rents, it may be worthwhile to demolish the existing building and replace it - even if it is of reasonably good standard. Tax rules can further this process because if a property is substantially depreciated (for tax purposes), sale of the property at a higher price could face the landlord with recaptured depreciation on the building which is taxed at twice the level of capital gains tax on the increased land value. If the building is demolished and replaced, all increased value accrues to the land and the landlord would face no recapture of depreciation. Also, if the new building is in a good location, which much of Ontario's older rental stock is, the site could probably support a quality rental or condominium building with no control on returns.

There are, real concerns that, at a time of tight rental markets in most Ontario centres, much of the existing stock of rental units is at risk because of the types of factors outlined above. Owners of rent controlled units are frustrated because their profits are being suppressed with no real prospect of significant change. Prospective investors in both new and existing rental accommodation are investing elsewhere because immediate returns are better and there are no

artifical constraints on future returns. Tenants are frightened because it is difficult to find alternative accommodation at rents they feel they can afford. There is evidence of some deterioration in the upkeep of existing rental properties which, in addition to detracting from their attractiveness and utility as places to live, may be shortening their effective life.

. Conserving the existing rental stock is an important issue today. We simply cannot afford to lose the current stock of rental housing when it is clear that both this stock and even more will be required at least to the end of this century. This section attempts to address this issue by examining the extent of rental stock loss in recent years and the social impact of this loss. Also, it examines the costs which we as Ontarians must face to conserve the 434,000 high-rise rental apartment units in the Province over the next 20 years,the types of options open to landlords of today's stock in meeting these costs and the likely impact on tenants of future conservation costs of high-rise rental properties.

4.1 RECENT RENTAL STOCK AND THE IMPACT OF DECONVERSION

4.1.1 Recent Rental Stock Losses

. **How much and what type of rental stock has been lost in the past few years in the case study areas?**

Toronto

. A significant amount of rental stock was lost in the City of Toronto in the 1976-1981 period. Some of this loss occurred as a result of demolition or conversions of rental dwellings to non-residential uses, but more significant was the loss of rental stock due to deconversions which occurred primarily as a result of the process of gentrification.

. The occupied dwelling stock in the City of Toronto increased by 6,300 units over the 1976-1981 period. The increase was concentrated in the owner-occupied and tenant-occupied properties which each increased by 7,500 units or more; the owner-tenant category (the category with converted units) declined by 9,400 units. These overall changes mask a number of distinct trends within the existing stock. Among the most notable of these trends during 1975-1981 are:

- 8,200 dwelling units were lost from the total stock which was in place in 1976:

- 3,100 of these units lost were in properties which were either demolished or converted to non-residential uses;

- The remaining 5,100 units lost represented mainly net deconversions of buildings from multiple unit occupancy to single unit occupancy.

- These units lost were more than replaced by the construction of new properties which added 15,400 new dwelling units during the period so the overall increase in dwellings was 7,200 units.

- A substantial amount of deconversion activity occurred during the period in the 45,000 units that were owner-tenant properties in 1976. As of 1981, 22,100 of these units were still classified as owner-tenant properties. Of the remaining 22,900 units, 11,000 units had switched to owner-occupier status with no tenants, while 5,600 units have changed to totally tenant-occupied. About 5,700 units were lost due to demolitions, deconversion or conversion to non-residential uses.

- Offsetting the number of dwelling units lost in previously owner-tenant buildings, a number of previously totally owner-occupied or tenant-occupied properties switched to the owner-tenant category between 1976-1981. In 1981 there were 7,000 owner-tenant units in what previously were owner-occupied buildings and 5,900 owner-tenant units in what previously were tenant-occupied buildings. Unfortunately, it is not possible to establish how many new units were created in this process but it seems certain that at least some of these units are newly created second or third units in what was previously a one unit property.

. Switches of tenure between owner-occupied and tenant-occupied properties largely offset each other in 1976-1980; 4,900 units switched from owner-occupancy to tenant-occupancy while 5,800 units switched from tenant-occupancy to owner-occupancy.

. Clearly, there was a severe decline in the owner-tenant dwelling stock between 1976-1981 with many of the dwellings being deconverted to owner-occupant use. The loss of these units has occurred for a number of reasons including the process of gentrification. The net effect of the trend to smaller household sizes, gentrification and deconversion has been a decrease in the number of dwelling units in the existing housing stock. Replacement of these deconverted units with conversions or new units was insufficient to offset a marked decline in the owner-tenant stock in the 5 year period.

. It is evident that, despite the 11,300 new units added to the rental stock in 1976-1981, rental stock losses due to deconversion, demolition or conversion to owner-occupancy status have resulted in a small decrease of 1,900 units in the total rental stock in the 5-year period from 1976 to 1981.

- Owner-occupied stock on the other hand increased by 8,200 units despite the fact that only 2,700 new owner-occupied units were added between 1976-1981. The majority of the discrepancy is comprised of switches from the owner-tenant category. It is evident that deconversion of this owner-tenant stock is occurring throughout the City; however, the most active wards (in terms of deconversions) appear to be Wards 3, 4, 5, 6 and 8. The wards with the majority of the owner-tenant stock are Wards 1-5 with two-thirds of the stock in 1981; but all wards have a least some owner-tenant properties.

- The HOAS information presented above does not specifically identify total or rental stock losses due to demolitions or condominium conversions. Demolitions are included in the category "Demolitions and Conversion to Non-Residential Buildings" which totalled 3,100 units in the City of Toronto over the 1976-1981 period; 1,600 of these units were tenant-occupied in 1976. Statistics provided from another data source within the City of Toronto Planning and Development Department indicate that demolitions of dwellings of all tenure types during the 1976-1981 period totalled 1,413 dwelling units. So, clearly, almost as much stock is being lost through conversion to non-residential uses as through demolition. Condominium conversions are included in the 5,800 dwellings which were tenant-occupied in 1976 but which had switched to owner-occupancy by 1981 (though some of the condominium units which resulted would, no doubt, have been subsequently rented out). According to the City of Toronto Planning and Development Department, there were a total of 638 units converted from rental to condominium tenure in the City of Toronto in the 1976-1981 period. It appears that except for condominium conversions, switches from ownership to rental almost balance the switches the other way. In total, relatively little rental stock was lost in Toronto because of demolitions and condominium conversions.

- Assuming that all row and apartment demolitions and half of other demolitions are rental units, the rental stock losses from both demolition and condominium conversion in four of the other five case study municipalities have been relatively small:

North York

- Only about 600 rental units were lost over the 1976-1981 period due to demolition and a further 526 units were lost due to condominium conversion; this combined loss of 1,126 units represented 1.2 percent of the 1981 stock. Despite these losses, the total occupied rental stock in North York increased by 7,600 units in the 1976-1981 period.

Hamilton

. Rental stock demolitions between 1976-1981 are estimated at about 450 units with a further 1,591 units lost due to condominium conversion; the combined loss of 2,041 represents just over 4 percent of the 1981 rental stock. Hamilton's occupied rental stock increased by 4,200 units between 1976 and 1981.

Ottawa

. About 500 rental units were demolished between 1976-1981 with condominium conversions totalling 238 units; the total estimated rental stock loss due to these factors (738 units) represented only 1 percent of the 1981 rental stock. The occupied rental stock in Ottawa increased by 5,250 units during the 1976-1981 period.

Kingston

. About 80 rental units were demolished and a further 108 units were converted to condominiums over the 1976-1981 period; the combined loss of 188 units from these sources represents about 1.5 percent of the 1981 rental stock. Kingston's occupied rental stock increased by only 200 units between 1976-1981 so replacement of these lost units represented about half of the new production.

. Clearly, rental stock losses in our case study areas due to demolitions and condominium conversions have been marginal between 1976-1981. However, it must be borne in mind that condominium conversions are now severely restricted in most centres and, if such restrictions were not in place, substantially more conversions would likely occur. It must also be recognized that each of these units lost either through demolition, condominium conversion - or deconversion of grade-related dwellings - must be replaced by a high-cost and high-rent new unit with consequent impacts not only on trends but on society as a whole.

4.1.2 Social Impact of Recent And Future Grade-Related Rental Stock Losses

. **What is gentrification and why are we concerned about it?**

. An examination of the potential and constraints faced in increasing Ontario's housing stock through the conversion of existing homes within well established and fully developed cities, cannot be considered complete without a thorough examination of the opposite process, i.e. the process of deconversion of existing multi-unit homes into homes that contain few units or a single family only. This process of deconversion, known as "gentrification" or "white painting", is a well established phenomenon in many of Ontario's larger cities. Directly related to this process is the loss of housing stock due to changes in

land use from residential to commercial and the demolition of houses to make way for other types of development.

- The process of gentrification has created both positive and negative results. It is important to understand both of these results as an integral part of this study which seeks to intervene in the process of existing neighbourhood change. It is particularly important to understand the negative effects of gentrification in order to seek solutions where these are necessary and to ensure that any potentially negative results of encouraging conversion are understood and taken into account before new programs are proposed.

- **What have been the effects of gentrification?**

  - The present difficult economic conditions have combined with the process of gentrification, or more importantly deconversion, to produce both social and housing crises for a growing population in our society. This population consists of those socio-economic groups which have traditionally found refuge in inner-city accommodation such as rooming houses, multiple unit houses, older apartment buildings and older hotels. This type of housing is disappearing and is not being replaced as a result of a number of factors, including gentrification.

  - Many rooming houses have been wiped out through gentrification and building code enforcement.

  - The neighborhood in the process of gentrification often becomes hostile to existing rooming houses and old hotels, and is particularly hostile to allowing new ones.

  - Virtually no new rooming houses are being created as the returns will not justify the investment. There is general agreement that the private market is rapidly and permanently disappearing as a source of housing for low income single people and families. Municipal non-profit housing corporations such as Cityhome in Toronto and City Living in Ottawa are no longer permitted to purchase existing rooming houses. The present non-profit program would not allow all rents in a given building to be sufficiently low to accommodate single people in need, even if the non-profit agencies were again permitted to purchase such buildings. In any event, single people below the age of eligibility for senior citizen housing do not qualify for the rent supplement program.

  - Amendments to the Landlord and Tenant Act which granted strong security of tenure protection to tenants have discouraged many home owners from renting out rooms, particularly in their own homes. According to room registry agencies, small landlords are easily discouraged by one bad experience such as considerable frustration and delay in getting a troublesome tenant to move out. They often choose to keep the space empty rather than risk another bad experience in their own home.

- As a result of the drastic shortage of affordable housing, many people are living permanently in emergency hostels. The hostel is an important needed part of the housing system but it should not be allowed to become a permanent solution to the housing needs of low income persons.

- **Which tenant groups are at risk?**

  - While the housing pressures affect all those with low incomes in our society, the key informants were particularly concerned with communicating the needs of the single person group, which unlike groups such as single parent families for whom the pressure is equally great, has no permanent form of housing provided by government assistance and is forced to rely exclusively on the private market or emergency shelter.

  - Many of the key informants have segmented the low-income single person group into a number of sub-groups. Often voluntary agencies have defined one such sub-group as a special focus for their particular agency. The sub-groups include men, women, the skid-row person, ex-psychiatric patients who were recently released from mental hospitals as a result of government policy, ex-convicts, mentally retarded, physically disabled, younger people, etc.

  - The proportion of young people in need of both long-term permanent housing and temporary shelter has apparently increased dramatically over the past 2 or 3 years among both men and women. This is a sub-group not normally associated with the traditional skid-row population, yet they are now shoulder-to-shoulder competing for the same shelter and assistance. The release from mental hospitals of a large number of psychiatric patients into the community has added to the number relying on the system. These relatively newer sub-groups have put considerable pressure on those who have traditionally relied on the dwindling supply of cheap rooms, hotels or hostels for many years.

  - The more recent arrivals on the scene such as young singles and ex-psychiatric patients have attracted more voluntary assistance. They are seen by some as a group of 'deserving poor' rather than the longer term 'non-deserving poor' who are easily identified or labelled as a skid-row problem. Yet it was strongly argued by many of the key informants that the whole group of low-income singles must be seen as being in some way socially disadvantaged and in need of "special" help. The mere fact of having no work, no family network and no permanent shelter is sufficiently damaging to make a person 'marginal'. It was agreed that there is a real danger in sub-grouping the low income single group and singling some out for special attention. Instead it was made clear that all low income singles are in the same situation. They have two urgent and serious needs in common:

- the need for permanent housing which they can afford; and
- the need for some form of support and assistance in order to help them become an integrated part of society.

4.2 FUTURE CONSERVATION REQUIREMENTS AND COSTS FOR HIGH-RISE RENTAL APARTMENTS AND THE POSSIBLE IMPACT ON RENTS AND TENANTS

4.2.1 Future Conservation Requirements And Costs For High-Rise Rental Apartments

- **What will have to be done to conserve the existing stock of high-rise rental apartments over the next 20 years?**

- While the terms "maintenance" and "conservation" as they relate to buildings are sometimes used interchangeable with regard to certain issues, in fact, these terms have quite different and distinct meanings. These meanings and some illustrations of the areas of overlap follow:

- All buildings require maintenance to retain them in a stable condition whereby they can be used daily. A building simply cannot be left without attention to a myriad of individual items. These include many so called cosmetic treatments such as cleaning, decorating, and cutting grass, that are necessary to preserve the surface quality or appearance of a building. In addition to cosmetic maintenance needs, all buildings require regular upkeep or maintenance to parts of the building fabric and equipment. Such maintenance can involve regular service and minor repairs to the heating system, the elevators, safety systems, and to less apparent items like caulking and attention to roof flashings. These are all activities necessary to counter the effects of age and use on the building. Every building, large or small requires such attention.

- The process of conservation, while inextricably related to maintenance, has a different meaning and thrust. Conservation implies preservation over an identified period of time, such that the building can be safely used and enjoyed over its expected life span. This implies that measures must be taken to prevent the premature decay or loss of the building or its parts. As with maintenance, all buildings require conservation measures to prevent their premature loss through neglect or initial faulty design or workmanship. By way of explanation, a dirty wall may be unsightly but will not directly contribute to decay. The dirty wall is a maintenance item. A leaking roof may also create unsightly conditions but will most probably contribute to the accelerated decay of the very fabric of the building. A leaky roof will be a conservation as well as a maintenance item. The process of conservation in buildings is further regarded as including the activities which may be carried out to upgrade parts of the building to meet the standards of by-laws and codes which may not have existed when

the building was constructed; or to introduce elements in the building which would reflect current operation objectives such as insulation or double glazing to reduce energy consumption. In some discussions, conservation is referred to as preventative maintenance.

- The difference between maintenance and conservation is important. As a general finding, the housing management industry is most frequently concerned with maintenance rather than with conservation. The exceptions to this generalization are to be found in the public sector, and even here the interest appears to be limited primarily to concerns with human safety. While both the private and public sectors rigorously obey the laws relating to human safety, the public sector is taking positive steps to upgrade buildings to comply with current codes.

- This study is concerned with projecting the requirements and costs that might be associated with those aspects of a building which are most commonly referred to as conservation and/or preventative maintenance required to keep the building in a safe and habitable or livable condition. For purposes of the study we have referred to all of these issues as "conservation" activities. The conservation elements that were examined can be grouped into seven major categories:

1. weather protection
2. structural integrity
3. building systems
4. parking structures
5. movement systems
6. occupant safety
7. equipment and fitments

- Our conclusions with respect to future requirements of high-rise apartment buildings in these seven categories are as follows:

Weather Protection

- Conserving existing buildings in a weathertight condition remains a major problem and one which will require large future capital expenditures. Roofs, walls, and windows are all problem areas. Older buildings are often in better condition than the newer ones in this regard. As a general rule, low buildings are usually less of a problem, but there are exceptions. The industry generally was slow to take up protected membrane roofs which have demonstrated excellent long term qualities, and the poor application of wall insulation, which when used, was generally installed on the inside surface of exterior walls, will contribute to long term wall problems which are costly to correct. Poor window design and poor application of window design principals will contribute to long term costs as well. Even some new window installations in tall buildings cannot adequately resist the storm forces they are subjected to.

- Unfortunately, the retrofitting of many small buildings with increased thermal insulation in wood framed roofs has not followed good practice in the provision of air/vapour barriers or the ventilation of the roof spaces. These installations will present problems in the future which are serious and costly to correct.

Structural Integrity

- The essential structural elements of most buildings, (those elements which hold up the building), are in sound condition regardless of age and only minimum actions are required to either maintain or conserve them. The exceptions to this generalization are principally in above and below ground parking structures, some problems with balcony slabs which are supported on open web steel joist extensions, and some problems with balcony railings. The problems with parking garage structures are however, the most significant.

- Our analysis in this area identified some significant and major problems with exterior wall systems that will require costly intervention over the next 20 years. Simply put, many buildings have walls which do not sufficiently resist water penetration and diffusion. In addition, structural problems relating to shelf angles used to support unit masonry are evident in many buildings. Where problems with shelf angles exist, there are usually also problems related to the lack of vertical control joints which are costly items to repair.

- In the case of certain types of cantilevered balcony construction, extensive and costly repairs will be necessary over the next 20 years to ensure the safety of these structures. As well, major repairs for spauling and slab deterioration will be required.

- Related to the exterior wall problems noted, we must note that the deterioration of exterior masonry walls and the very real possibility of falling brick can be a hazard to human life.

Building Systems

- The electrical, heating, and plumbing and drainage parts of the buildings can be major conservation cost items. While these systems are usually reasonably maintained since the direct comfort of the individual residents is very visibly affected, changes involving galvanized plumbing piping, aluminum wiring and undersized (by today's standards) electrical services will be large cost elements for older buildings over the next 20 years. Boiler and pump replacements will constitute major cost items over this same period for all buildings. Heated ramps to underground parking garages have and will continue to contribute to high conservation costs as will improvements to lighting, sprinklers, heating and ventilation systems in underground garages.

Parking Structures

- The single most dangerous element is the deterioration which is happening to suspended garage slabs. If left, these can be a hazard to human life.

Occupant Safety

- Generally, the public sector has taken the lead in upgrading the fire safety aspects of buildings. The private sector does follow the requirements of the safety codes, but is constrained in upgrading older buildings built under less stringent codes. The constraints of rent review are most commonly cited as the reason for this.

- The needs to upgrade fire safety systems in buildings will be largely governed by codes. Many older buildings fall significantly short of meeting the fire code safety requirements applicable to new buildings. Continual upgrading and testing of Fire Safety Equipment is an ongoing maintenance problem, however, if ignored it can be dangerous.

Movement Systems

- While elevator maintenance costs are a significant ongoing maintenance cost, except for the extraordinary abuses of vandalism, the elevator systems are well maintained and will likely serve both old and new buildings for many years. Upgrading elevators in older buildings to meet current fire codes is a major cost that has not been undertaken by the private sector. Upgrading of older elevators to comply with current codes is presently not required. If this should become a requirement, these costs are major ones.

Equipment And Fitments

- Conservation costs related to building equipment and fitments, particularly kitchen cabinet and counter replacements, and major repairs to plaster work were not initially regarded as significant cost elements and our hypothetical cost model which follows does not include any of these replacement or conservation costs. However, our more detailed examination of a number of actual case study buildings has proven that these can be significant cost elements, in both public and private sector buildings.

- Our analysis of conservation requirements has lead us to conclude that there are five principal fators that contribute directly to the nature and extent of these requirements:

- The principal reason there will be major costs involved in conserving the existing high-rise rental housing stock is the

inadequacy of the initial design and construction. Buildings which are initially well constructed using appropriate materials arranged and connected together according to best practice and using good quality of workmanship generally have lower conservation needs than do poorly constructed buildings. This point is of such fundamental importance and is so frequently encountered that special note is made of it. It applies to all aspects of construction. It includes the adequacy of the materials or equipment selected as well as the manner in which the various components are arranged in relation one to another. Good quality construction also requires that the architects, engineers and the contractors be familiar with current best practice. The construction industry through its various Associations is constantly reviewing and upgrading its knowledge of materials and the performance of these materials in the construction systems. The National Research Council through the Division of Building Research provides what is possibly the best information base to improve the quality of building construction. Little of this information reaches the ordinary workman and mechanic actually engaged in the construction process. Finally, the building financing process actually encourages low initial capital cost at the expense of future conservation costs.

- Just as initial design may have been inadequate, the inspection and review process which may be applied to a building under construction is also not adequate. Too often the official inspectors representing the lenders or the municipality do not have either the time or the knowledge to adequately inspect the work being constructed. The specialist skills of a foreman-carpenter are not adequate to review the construction of a large complex residential building. When an inspector with narrow skills can only visit the work every week or two, the possibility exists that the work may not meet the code requirements or the basics of good construction. The inspection of the work by the architects sufficient to meet the 'field review' requirements of the OBC is not sufficient to ensure the performance of the contractors actually doing the building.

- In almost all cases the persons with the responsibility for maintaining and conserving the existing rental housing stock are not the same persons who were involved in the construction of it. These persons are often administrators rather than construction professionals who are often guided by short term operating costs and a lack of sufficient knowledge of building technology. This can result in decisions which are cost effective in the short term but which can result in serious long term building problems.

- The skills of the day-to-day building maintenance personel are often inadequate to maintain a complex building with its many specialized pieces of equipment and systems. Very often, the person in charge of individual building maintenance is someone who has no special skills in building maintenance. The person may have entered this

area of employment simply because employment opportunity presented itself. At best, the person so employed will have a specialist skill in one aspect of buildings. The generalist skills of the ordinary person directly engaged with the maintenance of an individual building are usually not sufficient to grasp the problems which can exist, or to adequately present a correct solution to the problem to a building manager, who may be primarily an administrator.

- The rent review process has had an effect on the attitude which building owners take to conservation. The indication we have received from discussions with building owners is that major conservation/preventative maintenance activities are being delayed or that conservation actions are being replaced by repair and patching actions. In the long term over the next 20 years, this will have a marked negative effect on the quality of the high-rise rental housing stock.

- **What will it cost to conserve the existing stock of high-rise rental apartments over the next 20 years?**

  - Components of any building are subject to forces of wear and deterioration. The manner in which those components resist these forces is related to their age, design, workmanship and actions which may have been taken to preserve their integrity. It is difficult to estimate, with any accuracy, a definitive cost for any component without being building specific.

  - To demonstrate the possible cost implications of the types of conservation requirements described above, we have prepared a simple summary for a hypothetical building. The assumptions for the costing of conservation requirements for this hypothetical building over a 20 year period are:

    - a high-rise apartment building of 120 suites
    - 15 to 20 years of age
    - reinforced concrete structure
    - 8 to 12 floors high
    - underground parking garage of two levels
    - double wythe masonry exterior walls
    - single glazed windows

    The summary assumes that each item of work identified as an individual issue requires "average" intervention. It does not include small items of maintenance i.e. kitchen countertops, painting, bathroom tile, fitments etc. It also does not include costs related to energy conservation, site development or amenities.

WEATHER PROTECTION

Flat Roofing Systems		
Conventional built-up roof system replaced 1 x + ongoing repairs	$ 96,000.*	
or		
Inverted roofing system replaced once + minimum repairs	67,200.	
Masonry Walls		
Repairs - ongoing	336.600.*	
or		
Rain-screen cladding (one time cost) to include energy saving measures	207,000.	
Windows		
Storm windows added on (one time cost) with some energy savings	78,000.*	
or		
Replacement with new thermal glazing and sash (one time cost)	300,000.	
Caulking		
Ongoing programme	10,800.*	
Total		$ 521,400.

* option selected to include in total

STRUCTURAL		
Shelf angles	$ 92,880.	
Masonry	56,530.	
Balcony	52,200.	
Total		201,610.

BUILDING SYSTEMS		
Electrical	$112,710.	
Heating	137,120.	
Plumbing	111,825.	
Ventilation	45,000.	
Lighting	30,620.	
Total		437,275.

PARKING STRUCTURES		
Suspended slab	$ 18,000.	
Traffic Membrane	64,800.	
Roof slab	36,660.	
Expansion joints	20,000.	
Ramp	35,000.	
Total		$ 174,460.
OCCUPANT SAFETY		
Fireman's Elevator	$ 30,000.	
Voice Communications System	28,800.	
Emergency Power	7,000.	
Product of Combustion	3,570.	
Total		68,570.

In summary, the total costs for conserving this hypothetical apartment over the next twenty years could be:

Weather Protection: roof, walls, windows	$ 521,400.
Structural Integrity	201,610.
Building Systems	437,275.
Parking Structures	174,460.
Occupant Safety	68,570.
Total Costs	$1,403,315.

On a per suite or apartment basis these costs amount to $11,694.

. Once again it must be emphasized that these conservations will be in addition to the standard maintenance activities that will be required over the 20 year period including such things as painting and decorating, site development, amenity package repairs and replacements, etc.

. To test the information developed out of the hypothetical apartment building described above, we examined 5 case study buildings. With the exception of variations in the manner in which parking is provided, the case study buildings were all similar to the hypothetical building. The characteristics and per unit costs of these case study buildings are described below:

	Ownership	Age	No. of Storeys	No. of Suites	Parking	Conservation Cost per Suites
Case Study 1	Private Sector	24 yrs.	15	97	Surface	13,905.
Case Study 2	Private Sector	11 yrs.	9	170	1 level underground	6,800.
Case Study 3	Public Sector Sr. Citizens	14 yrs.	18	352	1 level underground	4,460.
Case Study 4	Private Sector	28 yrs.	11	103	Surface	10,212.
Case Study 5	Private Non/Profit	14 yrs.	22	160	1 level underground	9,399.

- Using the data which had been gathered, the rate of expenditure projected in 5 year periods over the next 20 years was estimated for the various case study buildings. This varies building to building and is influenced by the age of the building as well as the quality of the initial construction. These rates of expenditure were developed to provide a basis for estimating the future impact of conservation costs on rents and these impacts are presented in the following section.

4.2.2 The Possible Impact Of Future Conservation Costs On Rents And Tenants

- **What options do high-rise rental apartment building owners have in dealing with conservation requirements and costs?**

  - Landlords know that the sorts of costs described in 5.3 do arise, so in a normal situation their planning for the project will have allowed for contingency expenses either through the build-up of a reserve fund or through expectations of future rent increases which will offset costs of this nature. In a situation where rental markets are balanced and rents are market-determined, such costs would be financed directly out of a reserve fund or out of profits since, in theory at least, the rents would be as high as the market would bear and extra costs could not be passed through to tenants without risking some increase in vacancies. Rational landlords would still undertake the work (if it is warranted) because it would be a necessary expenditure to prolong the life of the structure - and hence, would be an element in future profit-maximization.

  - Clearly, such a scenario is out of place in today's rental market since:

- rents are not market-determined; many landlords could pass through significant rent increases if the rent review process allowed it;

- the rental market is not balanced; many tenants would have difficulty finding alternative accommodation and thus the necessary market restraint to compel landlords to moderate their rent demands would be weaker; and

- rent review will allow such costs to be passed through but only on an as-incurred basis. Landlords must apply each year in which costs occur so they cannot put forward a program for future conservation at one time they must endure the time-consuming and costly review process each time. Also the rent review process does not award an immediate pass-through of all costs. Depending on the life expectancy of the conservation work, various amortization schedules are applied so as to spread the compensating rent revenue across the life of the improvement. This can be a complicated process especially for a mixed bag of items such as the conservation increases described in the previous section where the life expectancy of each specific item varies from 5 years to 40 years. The overall average likely life expectancy of the conservation costs outlined for the hypothetical building is estimated (roughly) to be around 20 years. In determining the rent increase associated with each of these expenditures, both these costs plus the necessary financing costs are taken into account.

In the current rental market, the landlord's actions will likely be different from the free market situation. Key informant interviews with landlords indicated that in many cases they have been postponing or minimizing expenditures on items such as conservation costs because of the rent review process. While landlords appear to be aware that such costs can be passed through the rent review process to be borne by tenants they are apparently reluctant to do so because of the difficult and time-consuming nature of the process, the ill-will created with tenants and a general feeling that the landlord loses as a result of the process. Despite this reluctance to undergo rent review, however, there appear to be few other options open to landlords. It seems clear that whether they like it or not, most landlords of buildings subject to rent review will ultimately be forced by economic necessity either to use the system to obtain justifiable rent increases for conservation (or other) costs or to sell to someone who will. It appears unlikely, however, that landlords will undertake major expenditures such as conservation costs on an annual basis; it would seem more sensible to minimize or postpone expenditures in most years and them lump them all together in one year - thereby minimizing the number of appearances before the rent review process but nonetheless obtaining the cost pass-through to rents which is necessary to finance the increased costs.

- **What impact would the projected conservation costs have on rents in a hypothetical high-rise building?**

  - In order to estimate the likely impact on rents of the conservation costs of the hypothetical building described in 5.3 a number of simplifying assumptions were made:

    - the building is under rent review and the rent review rules remain unchanged throughout the period;

    - in order to minimize appearances before the rent review process, the landlord will time the work such that all the costs are incurred in 4 separate years (1982, 1987, 1992, 1997) over the 20 year study period;

    - the full costs associated with the conservation expenditure are allowed to be passed through to tenants via rent increases;

    - in terms of amortizing the costs for the purpose of determining rent increases, three scenarios are used; it is assumed that rent review amortizes the costs over:

      - 10 years, for one scenario;
      - 20 years for another; and
      - 30 years for another;

    - the costs are financed totally through a 15% mortgage with the same amortization schedule as is dictated by the rent review process for the conservation costs themselves;

    - no other cost increases are incurred in the years when the conservation costs are passed through rent review (of course, other costs would be included in most applications to rent review, however, this section is interested in the rent impacts that can be expected from the conservation costs alone); and

    - all of the costs (and rents) are expressed in 1982 constant dollars.

  - The following figures indicate the amortized costs which would accrue to each year in the 1982-2002 period under the specified assumptions and the resulting estimated average monthly rent increases required to pay for these costs:

CUMULATIVE AMORTIZED COSTS INCURRED ANNUALLY ($000)

	10 Year Amortization	20 Year Amortization	30 Year Amortization
1982-1987	106.8	86.5	82.7
1987-1992	160.2	129.7	124.1
1992-1997	106.8	172.9	165.5
1997-2002	106.8	216.1	206.9

ESTIMATED AVERAGE MONTHLY RENT INCREASES PER UNIT ($)*

Year of Rent Increase	10 Year Amortization	20 Year Amortization	30 Year Amortization
1982	74.	60.	57.
1987	37.	30.	29.
1992	NIL	30.	29.
1997	NIL	30.	29.

* Calculated from increase in cumulative amortized costs (e.g., 10 year amortization in 1982: [($106,800. ÷ 120 units) ÷ 12 months] = $74).

Clearly, the shorter the amortization period, the larger the immediate compensating rent increase. For the 10 year amortization scenario, there are no more rent increases after 1987 whereas, for the 20 and 30 year scenarios, the costs keep pyramiding throughout the period and, consequently, rents continue to increase as well.

- **What impact would the projected conservation costs for the two private and one non-profit case study buildings have on the current rents of these buildings?**

  - For the purposes of calculating rent increases in the three case study buildings, the same set of simplifying assumptions as were made in the case of the hypothetical building were made here as well. The unit-type breakdown and current average rents of the three buildings are summarized below along with an estimate of gross revenue in 1982.

UNIT TYPES AND AVERAGE RENTS

	Private Buildings		Non-Profit Building
	Case Study 2	Case Study 4	Case Study 5
Number of Units			
Bachelor	24.	20.	120.
One-Bedroom	58.	80.	40.
Two-Bedroom	61.	2.	0.
Three-Bedroom	27.	0.	0.
Total	170.	102.	160.
Average Rents ($)			
Bachelor	310.	300.	120.
One-Bedroom	340.	382.	170.
Two-Bedroom	415.	650.	-
Three-Bedroom	460.	-	-
Total Estimated Gross Revenue ($000)*	740.	432.	242.

* Calculated by assuming the above rents for each unit plus a 5% vacancy (or non-payment) factor. This figure will be used later in calculating the estimated rent increase required to pass through the construction costs.

According to the investigations described under Section 5.3, these buildings could face conservation costs of $1,156,000. (Case Study 2), $1,051,900. (Case Study 4) and $1,503,900. (Case Study 5) over the next 20 years. These costs will likely be incurred in different proportions in each of the periods:

DISTRIBUTION OF CONSERVATION COSTS

	Private Buildings		Non-Profit Building
	Case Study 2	Case Study 4	Case Study 5
Percent			
1982-1987	50.	50.	40.
1987-1992	10.	20.	20.
1992-1997	20.	10.	20.
1997-2002	20.	20.	20.
Total	100.	100.	100.
($000's)			
1982-1987	578.0	525.9	601.5
1987-1992	115.6	210.4	300.8
1992-1997	231.2	105.2	300.8
1997-2002	231.2	210.4	300.8
Total	1,156.0	1,051.9	1,503.9

As with the hypothetical building, the effect of these conservation costs on rents varies depending on the amortization period selected by the rent review process as the appropriate life of the improvement. The percentage increases in rents which would be required to offset the conservation costs under each of the 3 amortization scenarios are as follows:

ESTIMATED PERCENT INCREASE IN RENTS (COMPARED TO 1982 RENTS) REQUIRED TO OFFSET CONSERVATION COSTS*

	Private Buildings		Non-Profit Building
	Case Study 2	Case Study 4	Case Study 5
10 Year Amortization Scenario			
1982-1987	14.9	23.2	47.3
1987-1992	17.8	32.4	71.0
1992-1997	8.9	13.9	47.3
1997-2002	11.9	13.9	47.3
20 Year Amortization Scenario			
1982-1987	12.0	18.8	38.3
1987-1992	14.4	26.3	57.4
1992-1997	19.2	30.0	76.6
1997-2002	24.1	37.5	95.7
30 Year Amortization Scenario			
1982-1987	11.5	17.9	36.7
1987-1992	13.8	25.1	55.0
1992-1997	18.4	28.7	73.3
1997-2002	23.0	35.9	91.7

* The estimates presented here are based on the assumption that rent increases will entirely offset the amortized conservation costs. The estimated rent increases therefore reflect the percent which the amortized conservation costs represent of estimated gross revenues in 1982. All percent increases relate to the 1982 rent base.

As noted above the magnitude of the rent increases required to offset the conservation costs varies significantly with the amortization period selected. For example, Case Study 2 would face an immediate 1982 rent increase of 14.9% if the conservation costs are amortized over 10 years but only 11.5% if a 30 year amortization period is selected. In 1987, a further small increase of 2-3% would be allowed under each amortization scenario. In 1992, no increase would be

allowed under the 10 year amortization scenario, in fact, the drop in costs would jeopardize rent increases allowed on the basis of other cost increases. Increases of 4-5% would be allowed under the 20 and 30 year amortization scenarios. In 1997, increases would be allowed under all amortization scenarios.

- It must be borne in mind in interpreting these percent rent increase estimates that they all relate to the 1982 base rent in 1982 dollars. Therefore, to the extent that this base rent increases to offset conservation costs in 1982 or 1987, the percent increase in actual rent in subsequent years will be smaller than that indicated.

- These estimated percent rent increases relate only to the increases necessary to cover the conservation costs under each of the amortization scenarios. No doubt, other costs will increase as well so it is likely that these increases will represent only one portion of a larger rent review cost pass-through award. No attempt has been made here to estimate the extent of these other cost increases.

- The rent increases necessary to cover the conservation costs are significant in all cases; and they are also most severe in the initial year - 1982 in the above example. Even a 12% increase is substantial - especially when it is recognized that this does not include other (non-conservation) cost increases.

- The most severe rent increases would be felt by the non-profit building because of the low rent structure of the building at present; in the absence of offsetting subsidies, rents in this building will increase by 55-70% by 1987 for conservation costs alone. This substantial level of rent increase would not bring rents in this building up to prevailing market rents for comparable accommodation but it would likely represent a severe financial burden in tenants.

- For the two private buildings, increases in rents of 15-30% by 1987 to cover conservation costs alone would likely go a long way towards offsetting the amounts by which rent review has held down rents since 1976. For comparison, in the hypothetical circumstance where a landlord had accepted 6 percent annual rent increases since 1976 where (in the absence of rent review) he might have expected to obtain a 10% annual rate of increase (approximating the rate of inflation for the period), by 1982 the magnitude of the differential in rent would be about 25% - by 1987 the differential would be 50%. Clearly, the pass-through of the estimated conservation costs would bring rents back much closer to the point where they might have been in the absence of rent review.

- **What is the current situation with regard to the ability of tenants to afford their accommodation?**

  - Information on tenants and their ability to afford their accommodation is sketchy at best. Nontheless, several broad conclusions can be made

based on an analysis of the preliminary results of the 1981 Rental Market Survey conducted by the Ministry of Municipal Affairs and Housing in Metro Toronto, Hamilton, London, Windsor, Ottawa, Thunder Bay and Sudbury:

- Most tenants can afford their current accommodation - weighted survey results indicate that about three-quarters of tenants had rent/income ratios of 25% or less in 1981. Only about 15% of tenants pay more than 30% of their income in rent. Comparison of the 1981 survey results with the 1980 survey results indicates that rent/income ratios appear to have dropped significantly in the period between the surveys.

- Some tenants face serious affordability problems - while it is true that the majority of tenants are able to afford their accommodation, there remain some tenants who must devote a disproportionate share of their income to rent payments. If 25% of income is regarded as the appropriate maximum rent which tenants can afford, about one-quarter of tenants in 1981 were paying more than they could afford; if the appropriate maximum ratio is regarded as 30% of income, about 15% of tenants were paying too much.

- Some tenants with apparent affordability problems do not appear to be in need - despite the fact that they must devote an excessive proportion of their income in rent, some tenants apparently deliberately choose to live in more expensive accommodation than they require. The Rental Market Survey indicated that many tenants with rent/income ratios in excess of 25% live in accommodation larger than their basic needs. For example, less than 15% of single-person households who pay more than 25% of their income in rent live in rooms or in a bachelor apartment; almost 30% have 2 or more bedroom units and 58% had one-bedroom units. Few tenants paying more than 25% of their income in rent appear to live in overcrowded conditions, many choose to live in accommodation which is larger than what most observers would regard as their basic needs.

- All type of tenant groups have some members with affordability problems - while the elderly are estimated to account for almost 40% of tenants with rent/income ratios in excess of 30%, some households in all age groups pay an excessive proportion of their income in rent. Similarly, households of all types are represented in the group of tenants who pay in excess of 30% of their income in rent. Almost two-thirds of tenants devoting more than 30% of their income to rent are non-family households; probably just over half of these non-family households would be elderly people, but the remainder would be younger. Families with children comprise about one-quarter of the tenants paying in excess of 30% of their income in rent - the survey sample was too small to say reliably how many of these are single-parent families. Families with no children comprise only about 10% of the needy tenants.

- Not all needy tenants are eligible for government housing assistance programs - government housing assistance programs are targeted primarily at elderly people and families with children. The survey results indicate that teants with afforrdability problems include other groups as well. One group with particular difficulties identified in another section of this report is comprised of single persons aged 40-60; while not large in numbers, they do represent one clearly identifiable group with particular housing problems not currently being met by government housing assistance programs.

- Not all tenants eligible for government housing assistance programs actually obtain assistance - the fact that some 15% of all tenants surveyed devote more than 30% of their income to rent and the majority of these tenants are elderly or families with children (both of which are target groups for housing assistance programs) indicates that current housing programs are not serving all of their target groups. The lengthy waiting lists for public housing are another indicator of the inadequacy of current government housing assistance in meeting the needs of the target groups.

. To conclude, therefore, while most tenants are clearly not having difficulty meeting their rent payments, there is a significant minority which do have such problems. Though the size of this group is difficult to estimate, it is clear that it is comprised of some tenants who are not currently eligible for government housing assistance and other tenants who, while eligible, do not currently obtain such assistance.

. **What impact could future high-rise conservation costs have on tenants and their ability to afford this type of accommodation?**

. It was shown above that the immediate impact of the expected conservation costs on rents in the case study private rental buildings would vary from about 12% to 23% depending on the extent of the conservation costs themselves and on the amortization period assigned to the conservation improvements. There can be little doubt that rent increases of this magnitude (plus whatever other financing or operating cost-related rent increases might be appropriate) would have a significant impact on some tenants. It would inevitably result in an increase in the proportion of all tenants' incomes expended in rent. This would result in more tenants having to spend an excessive proportion of their income on rent or alternatively, in pushing these tenants into seeking ever scarcer lower-priced rental accommodation on the tight rental markets prevailing in most Ontario centres - tight, at least in terms of lower-priced accommodation.

. Little empirical work is available (or possible) on the impact which such rent increases could have on tenants. In some work quoted in The Impact of Rent Review on Rental Housing in Ontario: A Staff Research

Report from the Ministry of Municipal Affairs and Housing, J. Miron estimated the sensitivity of afforability to changes in rents relative to income.

SENSITIVITY OF AFFORDABILITY MEASURES TO CHANGES IN RENTS RELATIVE TO INCOME, 1978

Percent Change in Rents Relative to Income	Percent of Households with Problem	
	25% Threshold	30% Threshold
10% higher	35.9	27.1
5% higher	33.2	25.3
no change	30.2	23.3
4% lower	28.4	21.9
10% lower	26.4	20.4

This table is based on 1978 data and it seems likely that the figures overstate the proportion of tenant households with affordability problems today; recall that estimates based on the 1981 Rental Market Survey conducted by the Ministry of Municipal Affairs and Housing (and cited in the previous section) indicate that approximately 15% of renters paid in excess of 30% of their income in rent in 1981. Such an improvement in the number of tenants devoting an inordinate amount of their income on rent is consistent with the widely-held contention that rent review has improved the affordability situation for tenants. Despite the necessary qualifications with regard to the fact that the data relates to 1978, Miron's tabulations provide a useful indicator of the magnitude of the tenant affordability problems which result when a large rent increase such as that related to the conservation cost pass-through occurs.

If it is assumed that, except for the conservation cost pass-through, rents and incomes rise by the same amount in the year that the cost pass-through is granted, clearly a significant number of tenants will be in a more disadvantaged situation than they were previously. With estimated private rent increases of 12-23% due to the conservation costs, the increase in the proportion of tenants with affordability problems would (according to Miron's figures) increase by more than 4 percentage points (at the 30% rent/income threshold) - say from the 15% estimated in 1981 to more than 19%.

It must be stressed that the Miron figures can only be regarded as a very rough indicator of the magnitude of the increase in tenants with affordability problems if the conservation cost pass-throughs were reflected in rent increases today:

- Miron's figures are based on 1978 estimates which will be substantially less today;

- the magnitude of the increases in the percent of renters with affordability problems resulting from rent increases will be different when 23% of renters already have a problem (in 1978) than when only 15% of renters have a problem (estimate for 1981); and

- not all buildings will face the same percent increase in rents as a result of the conservation costs; the dramatic effect of the conservation costs on rents in the non-profit building, for example, will cause much greater difficulties for tenants than the projected increases for the private buildings.

Despite these data problems, it is clear that the increase in rents resulting from the conservation cost pass-throughs will result in an increase in the number of tenants with affordability problems. The magnitude of the increase may be open to question but there is little doubt it will be significant - raising the estimated 15% of tenants paying in excess of 30% of their income in rent in 1981 up to perhaps 20-25% if all rental buildings faced the rent increase at onoce (which, of course, they will not).

- Future changes in the proportions of tenants with excessive rent/income ratios as a result of the expected conservation cost pass-throughs in 1986 and beyond are even more difficult to assess. If rent increases in the intervening years keep pace with income increases, clearly, the proportion of tenants paying an excessive amount of their income in rent would rise again. If, however, rent increases in the interim lag income increases (as they clearly have done since 1976), the proportion of tenants with affordability problems will decline in the interim, thus offsetting at least some (if not all) of the future conservation cost-related rent increase.

- **What options do tenants have in dealing with rent increases due to conservation costs that make their accommodation unaffordable?**

  - The majority of tenants would be able to afford the rent increases likely to occur as a result of the pass-through of conservation costs. However, this fact should not cloud the issue that such rent increases will expand the size of the group with affordability problems and also will increase the severity of the difficulties for those who already have affordability problems. For these tenants, the problems caused by the rent increases are real and their options in dealing with them are limited. They could:

    - move to alternative accommodation, however, rental markets are very tight at present - especially in low-cost accommodation and there are unlikely to be many low-rent alternatives on the private rental market

- double up with other tenants however, this could lead to overcrowding depending on family circumstances

- apply for government assisted housing however, unless their need is extreme, there is unlikely to be alternative accommodation immediately available due to the long waiting lists for assisted housing; also, some needy tenants (e.g. non-elderly single persons) are not eligible for assisted housing

For many, it would appear that the final option of doing nothing, i.e. staying on and paying the higher rent, will be the option selected; unfortunately, in many of these hardship cases, "doing nothing" means reallocating finances from other necessities into housing expenditures.

. **What options do governments have in dealing with the problems that could be created due to conservation cost-related rent increases?**

. Government options in dealing with these problems are limited. There appear to be three major options:

- provide subsidies to landlords such that these conservation costs would not be passed through to tenants;

- restrict allowable rent increases to below or equal to the rate of inflation or income growth so rents would not increase faster than incomes; or

- expand the volume of assisted housing and the target groups for assisted housing such that all needy tenants would be able to obtain the assistance they require.

. The first option, that of keeping rents low by providing subsidies to landlords would be extremely costly, administratively complex and very inefficient in terms of targeting government assistance to those in need: the 75-85% of tenants who do not require assistance would nonetheless obtain it at very substantial government expense.

. The second option, restricting rent increases to levels that tenants can afford suffers basically from the same problems as the first - with the major difference that the costs would be borne by landlords rather than the government. This would discourage landlords from undertaking the conservation measures thus leading to the deterioration of the quality of the rental stock. it would also have the effect of further discouraging new rental investment since the onerous (in the view of landlords at least) rent review provisions would be altered further to the disadvantage of landlords.

. The third option, that of expanding the assistance available to needy tenants appears clearly to be the most sensible long-term option available, but it would also be very expensive. Ideally, such an initiative would not be targeted simply at tenants who were

disadvantaged by rent increases due to conservation costs, but would be part of a comprehensive program targeted at all needy tenants. Such a program would require a greater commitment of funds than governments have been willing to devote to the problem in the past plus a recognition that the current target groups for government housing assistance are too narrow. The program to assist need tenants could be structured in a number of different ways including direct government provision of low-cost housing, subsidies through non-profit or co-operative housing groups or shelter allowances. While it is beyond the scope of this report to recommend which type of program would be most effective, it is to be hoped (and expected) that the program would be:

- Efficient - directing assistance only to those who are in need;
- Equitable - including in the target group tenants such as low-income non-elderly single people who are not currently eligible for housing assistance and providing sufficient funds that all those in the target groups receive assistance and
- Integrated - ensuring that assisted tenants are integrated into the community and not concentrated in low-income housing ghettos.

Whatever approach the government selects, it is clear that the conservation costs for government-owned buildings will put additional demands on government resources; no doubt, housing authorities are budgeting for such outlays. Also, it seems that some provision for assisting non-government groups (such as non-profit housing) will be necessary if the rents for these buildings are to remain affordable.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

- **What overall conclusions have been reached with regard to the conservation of the existing rental stock?**
  - Deconversion (gentrification) and inner city redevelopment has resulted in the loss of a considerable amount of cheap rental accommodation in grade related dwellings in Toronto over the past several years.
  - These same forces have probably lead to losses of similar types of accommodation, perhaps to a lesser degree, in other major urban centres in Ontario such as Ottawa and Hamilton.
  - In all likelihood these natural market forces will continue to erode Toronto's and other communities' stock of cheap downtown rental accommodation.
  - Little conventional apartment type rental stock has been lost since 1976 in Ontario municipalities due to demolition or condominium conversion.

- The loss of cheap downtown rental accommodation plus current economic conditions have created crisis level housing problems for a small but growing number of people. This growing group of tenants are for the most part single, under 45 years of age, unemployed and not eligible for any form of government housing assistance programs.

- The recommendations set out at the end of Part 3 to encourage conversion and infill in existing residential neighbourhoods, may have many of the same negative results as those described in this report resulting from gentrification. One cannot ignore the question of affordability as long as the very process being encouraged can lead to creating further hardship and displacement of low income tenants.

- Rent review has held rents below what they would have been in its absence. As such, rents generally are below what the free market would dictate and tenants have been (and will likely continue to be) benefitting from this situation. A negative aspect, however, is that since rent review allows the pass-through of increased costs, there is the potential for large, one-time increases in rents which are unlikely to have been possible under a free private market regime (with no rent controls). When viewed from the long-term point of view, these large increases help to restore rents towards what they would have been in the absence of rent review, but they tend to disadvantage some needy tenants who have grown accustomed to constantly declining real rents.

- Little or no serious action has been taken by private landlords with respect to the conservation requirements that will be necessary to keep the stock of high-rise rental apartments in a safe and liveable condition over next 20 years. Further, there appears to be a limited knowledge among building owners and managers of the scale and nature of future conservation requirements and the appropriate remedial actions which will be necessary over the next 20 years to deal with these requirements.

- The rent review guidelines are inadequate with respect to the conservation process. The rent review system provides little or no incentive for long-term investments for conservation. While many capital cost items related to maintenance and conservation meet the rent review guidelines, the system will only allow costs to be passed through on an as-incurred basis. In contrast, a realistic program of conservation should involve a series of coordinated and well planned actions or steps over a period of several years. In a free market situation, landlords would finance conservation costs out of a reserve fund or out of profits since it would be necessary to prolong the life of structure, an element in future profit-maximization. However, landlords can increase rents beyond 6% in rent control if they can justify increased costs -- but increased profits cannot form part of the justification and the procedure is tedious, costly and uncertain. Therefore, if cost increases can be held below 6%, profits will increase. These economics do not encourage conservation investments.

- A preliminary analysis of such conservation requirements indicates that these requirements could amount to an average cost of $7,000.-$14,000. in 1982 dollars per apartment unit over the next 20 years. The scale of cost involved will depend on a variety of factors. For example, older poorly designed and constructed buildings could cost significantly more while others could cost less. It must be emphasized that these costs would be in addition to the costs associated with normal day-to-day maintenance and operation requirements and costs and any added costs related to the overall refinancing of buildings.

- There are at the present time some 434,000 high-rise rental apartment units in the Province. These units represent approximately 40% of the total stock of rental housing in Ontario. If as we have concluded above, the conservation costs per unit over the next 20 years could amount to between $7,000. and $14,000. in 1982 terms, the overall costs of conserving the total stock of such units could be as high as 6 billion dollars. The direct costs to the senior levels of government to conserve the 61,500 high-rise rent-geared-to-income apartments in Ontario (excluding rent supplement units) could be as high as 860 million dollars in 1982 terms.

- While the public sector cost implications of future high-rise conservation requirements are most significant at the Provincial and Federal level insofar as rent-geared-to-income housing is concerned, it should be pointed out that those municipalities with non-profit housing companies will also have to face the conservation cost issue in years to come as will the growing number of private non-profit and co-op housing groups across the Province.

- Despite the size of the expenditures that may be required to conserve the existing stock of high-rise rental apartments, the cost of replacing these units would be at least four times more expensive requiring break-even rents that would effectively render such new units unaffordable to all but a select few without massive government intervention and subsidy. Therefore, ways must be found to ensure that high-rise apartments are conserved.

- If the costs of conserving the high-rise apartment stock are passed on to or paid for directly through rent increases by tenants the proportion of tenants that are unable to afford private rental housing would increase.

- This study only looked at conservation requirements and costs with regard to high-rise rental apartments since they constitute the single largest component of the rental apartment stock in the Province. However, we would point out that there are approximately 290,000 rental apartments in the Province located in low-rise/walk-up type apartment buildings. These apartments are generally older than those in high-rise buildings and their future conservation requirements and costs can not and should not be overlooked. Given the intrinsic differences in

construction, the requirements of low-rise buildings will likely vary considerably from those of high-rise buildings. The impact of these requirements and costs will be more significant than those of high-rise buildings for smaller and medium size municipalities across the Province.

- **What actions would we recommend to protect those tenants that are at risk in the face of the loss of rental stock and the projected costs of conserving the rental stock?**

  - The first recommendation lies in the realm of motherhood. All levels of government and communities should be encouraged to work together to create a climate of acceptance for an important and growing group within our society. It has to be made clear that low income single people, including all sub-groups, are an integral part of our society. They will not, nor should they, disappear into institutions. Governments must attack intolerance through consciousness-raising, and, make it clear that they will not stand by and see communities ghettoize this group.

  - One way or another the housing and other problems of low-income singles will in our view have to be dealt with by governments at all levels.

  - At the local municipal level it is essential to ensure that municipal regulations in larger cities permit as-of-right the type of housing which would cater to low-income singles. This would mean sufficiently large areas of land on which rooming house type accommodation can be provided within existing houses or in new construction. If action in this regard is not undertaken by municipal councils it may be necessary for the Provincial Government to intervene to ensure the same.

  - The eligibility for Rent-Geared-to-Income assistance under senior government programs should be extended to include low income single people above the age of 45 and those with a demonstrable physical or mental disability impairing their ability to earn.

  - Regulations should be changed to permit 100% occupancy by households receiving Rent-Geared-to-Income assistance in private, public and third sector rooming houses.

  - A program of low interest loans and grants should be developed to encourage the private sector to provide rooming house accommodation.

  - Non-profit and cooperative housing programs should be extended to allow the acquisition of existing rooming houses, the creation of newly converted rooming houses, and the construction of new rooming houses by private and public non-profit groups.

  - Social agencies, voluntary groups and church groups should be funded by the appropriate provincial ministries to provide social support,

supervision and management services for low-income single people, related to accommodation provided through a range of programs set out in accompanying recommendations.

- Local management resource centres in large cities should be funded to assist the development of skills in the management of housing for low income singles.

- Any programs which are developed to provide direct assistance for the conversion or upgrading of property for rental purposes should ensure that such activities do not lead to displacement of existing tenants.

- Financial assistance programs should be developed for those tenants in need who are not eligible for rent-geared-to-income housing or the rent supplement program in order to protect these tenants against rent increase due to conservation.

- **What actions would we recommend to ensure that the existing stock of high-rise rental apartments are conserved in a safe and livable condition over the next 20 years?**

  - In order to encourage private landlords to undertake conservation type measures to ensure that these buildings remain safe and livable, the existing rent review guidelines should be revised to permit landlords to develop and carry out long-term conservation programs.

  - A detailed analysis should be undertaken of the likely future conservation requirements and costs associated with Ontario Housing Corporation buildings and programs developed and budgets allocated to ensure that these conservation requirements are met and that this large and valuable stock of low-cost rental housing remains safe and livable. In this regard we acknowledge that the costs associated with such requirements are shared on a 50/50 basis between the Province and the Federal Government. Given this, the Province should move quickly to engage the support and cooperation of the Federal Government in undertaking such a review and program of conservation.

  - Awareness and training programs should be developed for architects, engineers, building managers and superintendents, and municipal building inspectors that are aimed at improving the general level of understanding and ability of these key actors in identifying/ recognizing conservation requirements and the appropriate remedial actions that should be taken to meet these needs. Strategies that could be considered for these various groups include continuing education type programs in the form of formal courses and seminars, and brochures and guideline booklets dealing with specific topics.

  - In order to prevent or reduce future conservation requirements related to new buildings, serious consideration should be given to changing the design, funding and construction process as it relates to new

buildings. Again the design professions need to be current with regard to state-of-the-art building technologies. Methods for ensuring this are non-existent and those programs that do exist to retrain and communicate such information are unco-ordinated at best and rely on the individual commitment of the design professional to keep abreast of his or her field.

At the same time the development industry should be encouraged to develop new buildings on a life-cycle costing basis and lending institutions, including governments that provide funds for specific residential projects (e.g. non-profit and cooperative housing), should look at changing their appraisal and lending practices to take this approach into account.

- A review should be carried out of the options available to the Province for providing tax incentives and property tax abatements to private landlords to undertake a responsible program of building conservation.

- The Province should fund a series of conservation demonstration projects as one specific way of providing the type of information on a case study basis that the design and construction industry needs and also as a way of testing different alternative solutions to specific conservation needs.

- Our final recommendation pertaining to rental housing conservation pertains to low-rise apartment buildings as opposed to high-rise buildings. The Province should undertake immediately an analysis of the future conservation requirements and costs associated with low-rise apartment buildings so as to develop the type of information base and understanding that this study has been able to achieve with respect to the high-rise stock.